Press Release

Pace Renewable Energy Private Limited

June 07, 2021

Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.75 Cr.
Long Term Rating	ACUITE BBB+ (Withdrawn)
Short Term Rating	ACUITE A2 (Withdrawn)

* *Refer Annexure for details*

Rating Rationale

Acuité has withdrawn the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.8.75 Cr bank facilities of Pace Renewable Energy Private Limited (PREPL).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of withdrawal request received from company and no due certificate received from banker.

Bangalore-based PREPL, promoted by Mr. Venugopal Rao, was set up in 2010. The company is a 93.87-per-cent subsidiary of PDIPL. PREPL installs renewable energy equipment, mainly solar equipment, for telecom towers. In addition, the company provides telecom site hybrid solar solution, including grid & AC including Battery Bank & Solar. Also, in all the O&M sites, they have installed power generating systems like solar power and lithium ion power generating units through which electricity is extracted and are sold to private players for usage of their own.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Pace Digitek Infra Private Limited (PDIPL) and its subsidiaries, Pace Renewable Energies Private Limited (PREPL) and Lineage Power Private Limited (LPPL). This is because all the three companies, together referred to as the Pace group, are in similar line of business and share a common management. Extent of Consolidation: Full.

Pace Digitek Infra Private Limited being the flagship company of Pace Group holds 93.87 percent of shares in Pace Renewable Energies Private Limited and 79.73 percent of shares in Lineage Power Private Limited. All the three are in the same line of business catering to mainly telecom and power sectors.

Key Rating Drivers

Strengths

- **Extensively experienced management**
  The company was incorporated in 2010, and thus has established a long track record of more than a decade of operations. The promoter, Mr. Venugopal Rao has more than 20 years of experience in the telecom sector and is supported by an experienced team of professionals. The group companies, PDIPL supply, installs, and maintains AC power equipment for telecom towers and also undertakes O&M of telecom towers. Another major chunk of their business is electrical business where they are into infrastructure development for the rural electrification projects which is in the state of Jharkhand, UP & Bihar. The group has diversified into a vast category of infrastructure sector in FY2021; whereas LPPL manufactures, supply and installs integrated power management systems in telecom sites. Along with this, the company also undertakes O&M of certain sites. PREPL is engaged in installation of renewable energy equipment, mainly solar equipment, for telecom towers. Also, in all the O&M sites, they have installed power generating systems like solar power and lithium ion power generating units through which electricity is extracted and are sold to private players for usage of their own. The extensive experience of the management has helped the group to maintain business liaisons with customers like Reliance Jio Infocom Limited, Indus Towers Limited, ATC Telecom Infrastructure Limited, Apollo Towers Myanmar Limited (Myanmar), etc. in the

telecom sector and Madhyanchal Vidyut Vitran Nigam Limited, South Bihar Distribution Company, Jharkhand Bijli Vitran Nigam Limited in the rural electrification sector. However, the turnover of the group stood at Rs.491.13 crore in FY2020 as against Rs.593.12 crore in FY2019; the decline in topline in FY2020 is because the group had received an order with BSNL in August 2018 which did not capitalize due to the operational struggles BSNL is going through. Moreover, the current downturn in the Telecom industry, as a whole, is also another important factor which has led to the overall decline in the turnover. For FY2021 (Provisional), the Group has achieved topline of Rs.523.06 crore which shows an improvement in revenues as compared to FY2020. The group has large value of unexecuted orders of ~Rs.865.18 crore to be completed over the next two years which provides healthy revenue visibility over the medium term. The Group has also diversified their business line by taking orders of infrastructure projects to maintain the topline and margins.

- **Healthy financial risk profile**
  The group has healthy financial risk profile marked by tangible net worth of Rs.229.90 crore as on March 31, 2020 as against Rs.218.73 crore as on March 31, 2019. The gearing stood healthy at 0.55 times as on March 31, 2020 from 0.63 times as on March 31, 2019 on account of plough back of profits to reserves. However, working capital bank lines remains utilized at ~80-95 percent for last trailing 13 months ended March, 2021. The debt of Rs.126.84 crore consists of term loans of Rs.28.72 crore and working capital borrowings of Rs.98.13 crore as on March 31, 2020. Interest Coverage Ratio (ICR) stood moderate at 2.42 times for FY2020 as against 2.48 times in FY2019. Net cash accruals to total debt (NCA/TD) also stood moderate at 0.21 times in FY2020 as against 0.18 times in FY2019. DSCR stood moderate at 1.78 times in FY2020 as against 1.79 times in FY2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 1.73 times as on March 31, 2020 as against 2.37 times as on March 31, 2019.
  The group has availed Term Loan (MSME_CCSL) for Rs.4.50 crore in June, 2020 for which the repayment is expected to be completed by September, 2022.

Weaknesses

- **Working capital intensive operations**
  The group's working capital operations have improved but are still intensive marked by Gross Current Asset days (GCA) of 340 days in FY2020 against 356 days in FY2019 majorly due to high debtors days and creditors' days. The debtors' days stood at 249 days in FY2020 against 268 days in FY2019. The creditors' days stood at 231 days in FY2020 against 271 days in FY2019. The electrical projects are done on a back to back basis with the vendors; as soon as the payments are released from the DISCOM the payments are made to the vendors which results in high debtor and creditor days. The group has long pending receivables realizable after 180 days. So, timely realization of these bills will remain a key rating sensitivity. The inventory days stood at 49 days in FY2020 against 52 days in FY2019. The inventory policy depends on customers' requirements. But, the group generally maintains an inventory holding policy of 60-90 days. However, working capital bank lines remains utilized at ~80-95 percent for last trailing 13 months ended March, 2021.

- **Exposure to risks associated with telecom sector**
  Pace Group has been susceptible to adverse impact on its business risk profile owing to the overall downturn in the telecom sector. However, the decline in topline in FY2020 is due to non-operationalization of the orders from BSNL due to current situation of BSNL and the overall downturn in the telecom industry. The customers to Pace Group are majorly telecom operators and other telecom companies and the constant price war between the telecom operators is to further impact the bargaining power of the group. However, with the far-sighted vision of the management, the group has slowly phased out from the telecom sector and diversified into infrastructure projects which limits the risks to a certain extent.

Rating Sensitivities
Not Applicable

Material Covenants
None

Liquidity: Adequate
The group has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The group generated cash accruals of Rs.24.35 crore – Rs.33.80 crore during the last three years through FY2018-20 against moderate repayment obligations in the range of Rs.4.40 crore – Rs.5.24 crore. It is expected to generate cash accruals in the range of Rs.35.46 crore – Rs.61.43 crore over the medium term, against moderate repayment obligations in the range of Rs.5.06 crore – Rs.6.84 crore; this gives

adequate comfort for the incremental working capital requirements. Unencumbered cash and bank balances stood at Rs.6.50 crore as on March 31, 2020 with a current ratio of 1.43 times in the same period. Liquid investments stood at Rs.81.07 crore as on March 31, 2020 which mainly includes investments in equity shares and deposits with banks. The working capital limits remained utilized at ~80-95 percent for last trailing 13 months ended March, 2021. However, delay in realization of long pending receivables tantamount to heavy provisioning for doubtful debt leading to substantial decline in profitability levels.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	491.13	593.12
PAT	Rs. Cr.	10.91	9.98
PAT Margin	(%)	2.22	1.68
Total Debt/Tangible Net Worth	Times	0.55	0.63
PBDIT/Interest	Times	2.42	2.48

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Financial Ratios and Adjustments - https://www.acuite.in/view-rating-criteria-53.htm
- Entities in Service Sector- https://www.acuite.in/view-rating-criteria-50.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Mar-2020	Term Loan	Long Term	7.25	ACUITE BBB+/ Negative (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A2 (Reaffirmed)
02-Jan-2019	Term Loan	Long Term	7.25	ACUITE BBB+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A2 (Reaffirmed)
21-Nov-2017	Term Loan	Long Term	7.25	ACUITE BBB+/ Stable (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A2 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Available	Not Available	Not Available	7.25	ACUITE BBB+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A2 (Withdrawn)

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