

Press Release

PACE DIGITEK INFRA PRIVATE LIMITED (Erstwhile PACE POWER SYSTEMS LIMITED)

August 09, 2024



Product	Quantum (Rs. Cr)	Long Term Rating Assigned	Short Term Rating Assigned
Bank Loan Ratings	109.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	1291.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	1400.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and the short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs.1400.00 crore bank facilities of Pace Digitek Infra Private Limited (PDIPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned takes into account the extensive experience of the management in manufacturing, supply and installation of power management systems, significant growth in scale of operations and profitability backed by BSNL 4G saturation project, moderate order book providing revenue visibility of 2.8x of the FY24(Prov) consolidated revenue and above average financial risk profile. However, the rating is constrained by timely project completion and collection risks associated with BSNL project, working capital intensive nature of operations and exposure to risks associated with telecom sector.

About Company

Pace Digitek Infra Private Limited Incorporated in 2007, Pace Digitek Infra Private Limited is based in Bangalore. It provides Power Management, Optic Fiber Laying, and Energy Management Solutions. The directors are Mr. Rajiv Maddisetty, Mr. Maddisetty Padma and Mr. Venugopalrao Maddisetty.

About the Group

Incorporated in 2010, Lineage Power Private Limited is based in Bangalore. The company manufactures, supply and installs integrated power management systems in telecom sites. The directors are Mr. Rajiv Maddisetty, Mr. Venugopalrao Maddisetty, Mr. Maddisetty Padma and Mr. Rohitha Mudduluru.

Pace Renewable Energy Private Limited Incorporated in 2010 Pace Renewable Energies Private Limited is based in Bangalore. It manufactures, supply, installs, and maintains AC power equipment for telecom towers and also undertakes O&M of telecom towers and electrical project installation work. The directors are Mr. Rajiv Maddisetty, Mr. Maddisetty Padma and Mr. Venugopalrao Maddisetty.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profile of Pace Digitek Infra Private Limited, Lineage Power private limited, Pace renewable Energies Private limited, Lineage Power Myanmar Limited, Lineage Power Holdings (Singapore) PTE limited, AP digital Infra Private limited and Inso Pace Private limited. Rationale for consolidation being common promoters and common line of business.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Pace group (PG) is managed by Mr. Venugopal Rao, has more than 20 years of experience in the telecom sector and is supported by an experienced team of professionals. PG has established track record of operations for more than one and half decades in manufacture, supply, installs, and maintainance of power equipment for telecom towers and also undertakes O&M of telecom towers. The group's operations comprise manufacturing of rectifiers and other equipment for power infrastructure and telecom, rendering of operations and maintenance (O&M) services to the telecom and allied sectors, and the execution of engineering, procurement, and construction (EPC) projects. The group majorly undertake government projects involving digital infrastructure development, rural electrification projects, underground fiber grid laying projects from various state governments. In March, 2023, BSNL has awarded order worth Rs.7033 Cr to PG for installation, operation and maintainance of telecom towers in 7 out of 14 clusters on PAN India basis.

Acuite belives that PG will continue to benefit from its experienced management and their extensive industry experiences.

Moderate order book providing adequate revenue visibility

PG's order book stood moderate at Rs. 7065 Cr. as on July'2024, which is 2.8x its operating revenue in FY2024(Prov), order book majorly consists of balance unexecuted portion and O&M activities of BSNL 4G saturation project. Other than BSNL project, PG has unexecuted orders worth Rs. 2292 Cr. from government agencies from various state governments. Major orders other than BSNL includes orders from MSE agro power limited, purvanchal vidyut vitarn nigam limited and Chattishghar state distribution limited among others. Overall, the group has moderate order book indicating adequate revenue visibility over medium term.

Above average financial risk profile

The financial risk profile of the group is above average marked by above comfortable networth, leverage ratio and debt protection metrics. PG's net-worth stood at Rs. 510.05 Cr. as on 31st March 2024 (Prov) as against Rs. 266.99 Cr. as on 31st March 2023. Improvement in net worth is due to accretion of profits to reserves. The total debt of Rs. 423.47 Cr. as on March 2024 (Prov) consists of short-term debt of Rs. 355.22 Cr. term loan of 25.04 Cr. and CPLTD of Rs.12.77 Cr. Short term debt consists of inter corporate loans of Rs. 250 Cr. repayable in FY25. Debt protection metrics of debt service coverage ratio(DSCR) and Interest coverage ratio (ICR) stood at 2.76 times and 3.83 times respectively in FY2024 (Prov) as against 1.60 times and 3.24 times respectively in FY2023. The net cash accrual (NCA) to total debt (TD) is 0.55 times as on March 31st 2024 (Prov) as against 0.11 times as on March 31 2023. The total outside liabilities to tangible net worth(TOL/TNW) stood at 3.29 times as on March 31st 2024 (Prov) as against 1.89 times as on March 31st 2023. Acuite believes that financial risk profile of the firm is likely to remain above average over medium term in absence of any debt funded capex.

Weaknesses

Working capital intensive nature of operations

The working capital operations of the group are intensive as reflected by its high Gross current asset (GCA) days of 239 days in FY2024 (Prov) as against 376 days in FY23 and 445 days in FY22. GCA days are majorly dominated by debtor days. Debtor days of the group stood at 168 days in FY24 (Prov) as against 260 days in FY23 and 317 days in FY22. The inventory days of the group stood at 35 days in FY24 (Prov) as against 48 days in FY23 and 44 days in FY22. In order to support the working capital requirements, the group derives support from stretching its creditor days. The creditor days stood at 178 days in FY24 (Prov) as against 173 days in FY23 and 247 days in FY22. Further, the average working capital utilisation stood high at 83.38 percent in past 13 months ending April 2024. Acuite believes that working capital operations of the group will continue to remain intensive over the near to medium term due to high realization cycle and nature of operations of the group.

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. 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 farsighted 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

- Timely execution and bill collection for the BSNL project
- Any delay in repayment of unsecured loan leading to stretch in liquidity
- Further elongation in working capital cycle leading to stretch in liquidity position
- Any delay in realization of long pending receivables leading to heavy provisioning
- Doubtful debt and substantial decline in profitability level

Liquidity Position: Adequate

PG's liquidity is adequate marked by sufficient cash accruals generation to its debt repayment obligations. It reported cash accruals of Rs. 234.31 Cr. in FY2024 (Prov), against debt repayment of Rs.11.11 Cr. Going ahead, its accruals are expected to be in the range of Rs. 313 Cr. to Rs. 349 Cr. in FY2025-26. The current ratio of the group stood at 1.61 times and cash and bank balances stood at Rs. 94.03 Cr. as on March 31, 2024 (Prov). Group's working capital operations are intensive in nature with GCA days of 239 days in FY2024 (Prov) leading to high reliance on working capital limits. Average bank limit utilization stood at 83.38 percent over the last 13 months ending April 2024. The group has major repayment obligation to repay the unsecured loan amounting Rs. 375 Cr. (including interest) to third parties. Group's ability of timely repayment of unsecured loan and liquidity position post repayment would be key rating monitorable.

Outlook: Stable

Acuite believes that Pace Group will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the group demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its profitability margins and improving debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the group registers lower than expected growth in revenues and profitability or delay in realization of long pending receivables leading to heavy provisioning for doubtful debt and substantial decline in profitability levels or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	2511.82	516.26
PAT	Rs. Cr.	227.78	12.88
PAT Margin	(%)	9.07	2.49
Total Debt/Tangible Net Worth	Times	0.83	0.72
PBDIT/Interest	Times	3.83	3.24

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2022	Bank Guarantee/Letter of Guarantee	Short Term	323.21	ACUITE A4+ (Reaffirmed & Withdrawn & Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed & Withdrawn & Issuer not co-operating*)
	Cash Credit	Long Term	55.00	ACUITE BB+ (Reaffirmed & Withdrawn & Issuer not co-operating*)
	Term Loan	Long Term	11.00	ACUITE BB+ (Reaffirmed & Withdrawn & Issuer not co-operating*)
	Term Loan	Long Term	2.72	ACUITE BB+ (Reaffirmed & Withdrawn & Issuer not co-operating*)
	Term Loan	Long Term	41.69	ACUITE BB+ (Reaffirmed & Withdrawn & Issuer not co-operating*)
14 Sep 2022	Cash Credit	Long Term	55.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+ Stable)
	Term Loan	Long Term	11.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+)
	Term Loan	Long Term	2.72	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+)
	Term Loan	Long Term	41.69	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+ Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	323.21	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2)
25 Jun 2021	Term Loan	Long Term	41.69	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Long Term Loan	Long Term	113.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Cash Credit	Long Term	116.87	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Long Term Bank Facility	Long Term	43.71	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Bank Guarantee	Short Term	14.00	ACUITE A2 (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	323.21	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	41.69	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.72	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	11.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	41.69	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	113.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long	41.69	ACUITE BBB+ Stable (Assigned)

10 Jun 2021		Term		
	Term Loan	Long Term	2.72	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	11.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	116.87	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	43.71	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	55.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	54.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Bank Guarantee	Short Term	14.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	36.00	ACUITE A2 (Reaffirmed & Withdrawn)
	Bank Guarantee (BLR)	Short Term	273.21	ACUITE A2 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	144.00	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	993.00	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB- Stable Assigned
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not avl. / Not appl.	Covid Emergency Line.	30 Sep 2019	Not avl. / Not appl.	30 Dec 2032	Simple	15.00	ACUITE BBB- Stable Assigned
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not avl. / Not appl.	Covid Emergency Line.	30 Mar 2021	Not avl. / Not appl.	28 Feb 2026	Simple	3.00	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	31 Oct 2021	Not avl. / Not appl.	30 Sep 2026	Simple	7.00	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	30 Apr 2022	Not avl. / Not appl.	31 Mar 2028	Simple	5.00	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	65.00	ACUITE A3 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE A3 Assigned

Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BBB- Stable Assigned
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***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company Name
1	Pace Digitek Infra Private limited
2	Lineage Power private limited
3	Pace Renewable Energies Private limited
4	Lineage power myanmar limited
5	Lineage Power Holding (Singapore) PTE limited
6	AP digital Infra Private limited
7	Inso Pace Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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