



**Pace Digitek Limited**

(Formerly Known as Pace Digitek Private Limited and Pace Digitek Infra Private Limited)

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**Date: February 16, 2026**

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400001  <b>Scrip Code – 544550</b>	<b>National Stock Exchange of India Ltd</b> Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (E) Mumbai – 400051  <b>Symbol – PACEDIGITK</b>
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Dear Sir/Madam,

**Sub: Transcript of the Earnings call on the Unaudited Financial Results (Consolidated and Standalone) for the quarter and nine months ended December 31, 2025 held on February 09, 2026 at 11.00 AM.**

In continuation of our communication dated February 09, 2026 and pursuant to Regulation 46(2)(oa)(iii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the enclosed transcript of the Earnings Call held on February 09, 2026, on Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter and nine months ended December 31, 2025.

The transcript is available on the website of the Company on: <https://www.pacedigitek.com/investor-relations/stock-exchange-compliance>

We hereby request you to take note of the same.

Thanking You,

**For PACE DIGITEK LIMITED**

*[Formerly known as Pace Digitek Private Limited and Pace Digitek Infra Private Limited]*

**Meghana M P**  
**Company Secretary and Compliance Officer**  
**Membership No: A42534**

**Encl.: As above.**





## Pace Digitek Limited

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### Q3 & 9M FY2026 Earnings Conference Call

**February 09, 2026 11:00AM IST**



- Management:** Mr. Venugopal Rao Maddisetty – Chairman & Managing Director – Pace Digitek Limited
- Mr. Rajavendhan P – Chief Financial Officer – Pace Digitek Limited
- Mr. Ajay Tambhale – Head, Investor Relations – Pace Digitek Limited
- Moderator:** Ms. Khushbu Singhania – Go India Advisors LLP

This transcript has been edited to improve the readability.

**Moderator:** Good Morning ladies and gentlemen, and welcome to the Pace Digitek Limited Q3 & 9M FY2026 Earnings Conference Call hosted by Go India Advisors LLP.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Khushbu Singhanian from Go India Advisors LLP. Thank you and over to you, Ms. Khushbu.

**Khushbu Singhanian:** Thank you Swapnali. Good morning, everyone, and welcome to Pace Digitek Q3 & 9M FY2026 Earnings Call to discuss Q3 and 9M FY2026 Results.

We have the senior management of the Company on call, Mr. Venugopal Rao Maddisetty – Chairman and Managing Director; Mr. Rajavendhan P – Chief Financial Officer; and Mr. Ajay Tambhale –Head, Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

May I now request Mr. Venugopal Rao to take us through the Company's Performance during the quarter and outlook, subsequent to which we can open the floor for Q&A. Thank you and over to you, sir.

**Venugopal Rao Maddisetty:** Thank you. Good morning everyone. I am Venugopal, the Chairman & Managing Director of Pace Digitek Limited.

We have just announced our Q3 FY2026 Results. During the quarter, our Revenue from Operations increased by 13.5% YoY to Rs. 644 crores and we have reported PAT of Rs. 79 crores, with a PAT margin of 12.2%. During the quarter, we have secured some good orders, both in the telecom as well as in the energy sector. As of today, our Energy Segment order book stood at about Rs. 6,000 crores and some more in the pipeline, where we have been declared the L1 but award is in the process. Our telecom segment order book currently stands at about Rs. 2,400 crores.

Another aspect of the last quarter is that we have delivered about 400 MWh of BESS, which is a significant milestone. We believe we are among the first in the country to deliver so much capacity in the last three months on the BESS systems. Out of this, we have already commissioned around 200 MWh of BESS systems in the field, and they are working satisfactorily.

As mentioned earlier, our Energy order book stands at Rs. 6,000 crores plus and we aim to touch Rs. 10,000 crores by March 2026. While Rs. 6,000 crores have already been awarded, we have additional pipeline of over Rs. 4,000 crores, which we are confident of announcing in the near future. We therefore expect to close March with a healthy BESS order book.

In the telecom as well, we have a good order book. Few orders have already been secured and we also expect some additional orders in the near future.

On the manufacturing facility for the BESS, we will reach 5 GWh by March 2026. All the equipment has been shipped from our manufacturers, and they are expected to arrive by first week of March 2026 and they will be commissioned by end of March or maybe latest by 10th of April. We want that facility to be fully ready for 5 GWh.

This means is that next financial year, we will be manufacturing 5 GWh of BESS system from our own factory. Also, we are constructing a new facility to expand this capacity from 5 GWh to 10 GWh. It would take about six months and by September 2026 is we are targeting to make this facility ready. It will make us the first in the country at this scale and help us to maintain our leadership in the BESS manufacturing.

Further to that, we are also doing further backward integration through manufacturing of the BESS container. These containers represent a significant portion in terms of volume and value, and the ecosystem is not readily available in India. So, we have decided to manufacture them in our own factory. That facility also will be ready by mid-April, so that we will have good control over the input supply for the BESS as well as the cost control. Keeping these two elements in mind, we have started this fabrication unit and it also is getting ready.

These are the highlights of the last quarter. Q4 also looks decent for us and we expect to close near the estimates we have provided. FY2027 also looks strong because of the order book in place. All this will be reflected in the financials and in the next financial year, we expect the BESS business to contribute meaningfully to the overall performance.

These are major operational highlights from my side. I would like to ask our CFO to go a little deeper on to the financials and then we will take the Q&A session. Thank you very much.

**Rajavendhan P:**

Good morning everyone. This is Rajavendhan – CFO of Pace Digitek. I, on behalf of Pace family, welcome all investors for the call.

Now I will take you through the financial performance of Q3 and the nine months ended December 2025.

Starting with the top-line, our consolidated revenue from operations stands at Rs. 644.0 crores, representing 20.7% QoQ and 13.5% YoY growth. This growth is driven majorly by the improved project execution across both telecom and energy sectors, supported by the better project momentum during the quarter. For the nine months ended, the revenue stood at Rs. 1,544.5 crores, impacted compared to the previous year due to execution timing differences.

Moving to the gross profit: Q3 gross profit stood at about Rs. 169.2 crores, translating into a gross margin of 26.3% compared to 32.9% in the same quarter the last financial year. This impact is majorly due to the project mix.

Coming to the employee expenses: on YoY basis, our employee expenses increased by 44.5% to Rs. 24.9 crores, which reflects the capacity building across the energy sector for all the projects that we have commissioned. These costs are forward-looking and align with the expanding order book.

EBITDA for Q3 FY2026 was Rs. 117.9 crores, with a margin of 18.3% compared to 21.4% in Q3 FY2025. The movement in EBITDA margin, as explained in the gross profit, it is due to the mix of the project and the execution phase, including the milestones that we have achieved during the quarter.

Coming to the finance costs, finance cost is considerably lower compared to the last financial year mainly due to lower borrowing levels for the quarter and also for the complete year.

The other income stood at Rs. 10.2 crores, which is on the higher side compared to the same quarter previous year, mainly due to the IPO funds placed into the fixed deposits generating some steady income. The profit after tax stood at Rs.78.8 crores representing a 11.3% YoY growth with a PAT margin of 12.2%.

On the balance sheet perspective, we are at a comfortable position with low leverage, providing flexibility to support growth, particularly in the Energy business. The working capital is again managed with a continuous focus on the milestone-based billing for the project. During the quarter specifically, we have taken an impact on the paid-up share capital considering our listing in October 2025.

As an update, we have also incorporated the company TransGreenX Energy Private Limited, which is a wholly-owned subsidiary of Pace Digitek. This would be a platform company which would be managing all the SPVs on a Built-Own-Operate (BOO) model. We have incorporated this company as a HoldCo company for the SPVs to have a separate focus on the asset-owned businesses and to focus more on EPC and manufacturing at the parent and the other subsidiary company as well. This structure allows us to raise the project funding at the SPV or HoldCo level and also to ensure that the assets are managed effectively.

BOO model business for this financial year or for Q3 FY2026 more specifically, the asset creation stood at about Rs. 167 crores against BOO order book of Rs. 3,250 crores. We have started executing the MSEDCL project in particular, and we have booked these INR 167 crores for this project as asset in the consolidated balance sheet.

Looking ahead, as our Managing Director was explaining, we are keeping the targets for FY2026 and FY2027 numbers intact. The strong order book we have in both the energy and the telecom sector will take care of the estimates we mentioned for FY2027. With the robust

order book, the improved execution momentum and the disciplined capital allocation, we believe that the company is well positioned to deliver the sustainable growth with financial prudence.

With this, I end my speech here and open to the floor for the questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Anuj Kapil from Taurus Mutual Fund. Please go ahead.

**Anuj Kapil:** Sir, my question is that are hyperscalers or solo players engaging directly to you or it is the demand is routed through EPC level or from utilities level?

**Rajavendhan P:** The demand is routed in terms of the EPC project majorly. The EPC projects for both telecom and also the energy sector.

**Anuj Kapil:** And sir, you have mentioned that you are expanding to 10 GWh. What is the utilization threshold is needed for reaching optimal ROCE? And also let me know if there are any execution bottlenecks in achieving that kind of expansion?

**Venugopal Rao Maddisetty:** For this 10 GWh expansion, we already have visibility for the next year. After we close March production, the open order or the order that will carry forward to the next financial year starting April 2026, is about 6 GWh is already there as of today.

We believe that in few months, we would be able to bring in some more business because the demand is quite huge. The expanded facility is expected to be operational by September and, from October to March, we will be able to produce additional 2.5 GWh over and above the existing 5 GWh capacity.

So, what is our target? Our manufacturing target for the next financial year is 7.5 GWh. We are confident of achieving this business, because almost 80% of capacity is already backed by orders. Good thing is that these are the long-term projects with execution timelines of 12-18 months. So, we are planning for the expansion well in advance.

**Moderator:** We have the next question from the line of Paras Chheda from Purpleone Vertex Ventures LLP. Please go ahead.

**Paras Chheda:** I wanted to understand what is our current L1 order position and what percentage of that will get converted by March 2026?

**Rajavendhan P:** As we stated, we have an order book of Rs. 6,000 crores in energy plus Rs. 2,460 crores in telecom. We estimate that our energy segment order book to increase further. There are a couple of tenders which we have bid where we are also L1. These projects are getting awarded soon, and we estimate that it will get awarded before March 2026. We expect this Rs. 6,000 crores to run up to Rs.10,000 crores in the next three months down the line.

**Paras Chheda:** Basically L1 you are expecting about Rs.4,000 crores for the BESS?

**Rajavendhan P:** Yes, we are estimating.

**Paras Chheda:** What proportion of this BESS order book of this potentially Rs. 10,000 crores will be executed in FY 27, FY28 and beyond?

**Rajavendhan P:** FY 27, as we estimated, we are estimating about Rs. 3,200 crores of consolidated top line from this order book and beyond this, the asset-owned projects under the Built-Own-Operate model also will get executed. We estimate that this Capex built-up asset creation for this BOO model will touch about another Rs. 2,200 crores for the next financial year.

**Venugopal Rao Maddisetty:** That may not reflect on the balance sheet, but that will be sitting in the asset.

**Paras Chheda:** Out of the Rs.10,000 crores, are we saying about Rs. 5,000 crores order will be executed for the BESS order book next year? Is that understanding correct?

**Rajavendhan P:** A slight change. The Revenue target of Rs. 3,200 crores will include the telecom segment as well.

**Paras Chheda:** No, my question was, out of this Rs. 10,000 crores potentially by March 2026, for BESS order book, what proportion will be executable in FY27 and FY28?

**Venugopal Rao Maddisetty:** Around 40%. This includes both EPC plus asset-owned business put together. Execution will be about 40% of it.

**Paras Chheda:** In FY27?

**Venugopal Rao Maddisetty:** Yes.

**Paras Chheda:** How do margins in BESS EPC and BOO projects, compared with our telecom EPC margins? And when do you expect, energy margins to exceed telecom margins?

**Rajavendhan P:** Energy margins are bit different in our business model because we operate with a backward integration. When we take a developer model of our business, the EPC comes from the parent company and the product comes from the Lineage Power. When we take an EPC order from at the Pace Digitek level, again, it is backward integrated to our product from Lineage Power.

We have the margins at different levels. IRR of the BOO model on a SPV basis, stands at about 13% to 14%. The product margin is about 12% to 14% and the EPC margin is about 8% to 10%. These are the margins for the energy segment.

And telecom, because of the nature of the project margins have been bit higher and again, these were EPC projects with a backward integration of our product, which has yielded us a good product margin of about 18% plus the project margin of 13% to 15%.



These are project-specific margins that we have achieved. However, the energy margins are slightly lower than the telecom and it is expected to be at the range what I have stated. The telecom margins, it is a project-specific and a one-time. The energy margins are going to be there stable across the years.

We have a structural advantage of backward integration. In the market, competitors usually operate separately at the SPV level, product level or project execution level. As we operate an integrated end-to-end operations for the BESS segment, it gives us an advantage in terms of the better margins compared to the other players.

**Paras Chheda:** With the increasing development projects in the energy order book, how much CAPEX is expected over the next two years, and how will it be funded?

**Rajavendhan P:** Rs. 3,250 crores of the order book that we have in BOO model is expected to be executed in the next two years, in terms of the commissioning. These three projects specifically have been funded, by the IPO fund, where we have raised about Rs. 820 crores, net of the issue expenses of Rs. 70 crores. So, around Rs. 750 crores are used for these three projects as an equity infusion. And, moreover, the balance portion of, ~75% would be funded with the financial institution who will be giving a term loan for this project.

**Paras Chheda:** So, that will be debt?

**Rajavendhan P:** Yes, that will be debt.

**Paras Chheda:** So, no further equity dilution is expected at least as of now?

**Rajavendhan P:** No, at Pace Digitek level, there will not be any equity dilution as of now for these projects.

**Moderator:** We have the next question from the line of Rohan Baranwal from Arihant Capital. Please go ahead.

**Rohan Baranwal:** My question was on the side of tender prices. In Q2, we had a commentary on aggressive bidding from the side of competitors. Have you seen any improvement or any returning to the tender prices? Are competitors still bidding at those aggressive levels? Or have prices stabilized?

**Venugopal Rao Maddisetty:** Yes, what you say is partly right. There was a very aggression in the last three months. But whatever the orders that we have won, they are in a better situation. Out of five projects we have won, three projects we have bid before the heavy competition started. That is one advantage we have. In the other two projects which we have won recently, there the advantage is that the different applications, not like the DISCOM level BESS projects. We have chosen some different applications where the competition was not so much.

Now, talking about this competition. It is obvious that in any new sector when the demand starts increasing, generally the people think that there are huge margins available in the business,

people start to bidding aggressively. I am hoping that the correction will happen soon because they are not able to execute on the ground whoever has won.

Once they realize the difficulties involved in executing these new sectoral projects, I am hoping that they may not be bidding further. We are estimating prices would stabilize at least from April onwards. There are four projects where there was aggressively bid, but people are now realizing those issues.

**Rohan Baranwal:** Follow-up is, do we see any benefit coming from government side like imposing the duties on to localize the in-house manufacturing on the BESS side?

**Venugopal Rao Maddisetty:** Yes, there are a couple of things from this budget. They have removed the capital equipment, the duties on the capital equipment required for manufacturing BESS system. That is one advantage they have given. In some tenders, the local content is being written properly such as a minimum 20% local content. We do believe that government should come forward for some more benefits, similar to what happened in solar. Similar lines, government is working but we hope that it should come soon.

**Rohan Baranwal:** My second question is about capacity expansion. As we are doubling our capacity from 5 GWh to 10 GWh and our current order pipeline is close to 4.3 GWh. How confident are we to expand it to 10 GWh? And are we banking on exports as well like markets like Saudi Arabia or Kenya or any other countries?

**Venugopal Rao Maddisetty:** Yes, we have over 4 GWh order in hand. As we mentioned, in some tenders we are already declared as L1, which would be converted into orders soon, maybe in the next two months or so. That would take us to around 6 GWh. At the beginning of the next financial year, our capacity will be 5 GWh and orders will be 6 GWh.

So, naturally, we are sitting on a good order position and that is why we are looking at expanding this 5 to 10 GWh by September 2026. Since the expanded capacity will be available only for half a year, the effective additional production would be about 2.5 GWh. Therefore, our effective production capacity for the next financial year will be ~7.5 GWh effectively and we are confident to utilize that capacity because our order book is strong.

**Moderator:** We have the next question from the line of Kapil from Pransh Capital. Please go ahead.

**Kapil:** My question is with regards to this strengthening of the cell prices. Are we seeing an impact on our BOO projects in terms of the IRR? Or have we locked up the cell prices way high? And what is happening with regards to the future orders? Are we like doing a hedge immediately on the order issued for the cell prices?

**Venugopal Rao Maddisetty:** Yes, whenever we receive the orders, we normally book with our suppliers by paying some advances. This will not impact our project IRR, as we have ensured that we are well within that range. Thankfully for us because we are the backward integrators, it helps us to optimize the

cost. And for the future projects, since the prices are increasing, we are also bidding at higher level.

Keeping this in mind, the Build-Own-Operate as well as manufacturing and the EPC projects within the group, we do feel that the impact will not be seen majorly. Also, from next financial year we are now trying to focus on at least some portion of our production goes to the export to Africa and Middle East. These are the two markets we are aggressively exploring and that would take care of the prices are better than India prices, which should take care of our bottom lines.

**Kapil:** Another question is with regards to the Lineage Power. We currently holds 93% and there were some plans to make it a 100% subsidiary. Any steps taken to complete this by March or first quarter of next year?

**Rajavendhan P :** Yes, you are right that Lineage Power is 93% subsidiary. We are in the process and we expect it to be taken care by the next financial year. There is a company called Pace Renewable Energies Private Limited (PREPL), which is the SPV for one of the projects, which is having 93%. There, we are at the final stages to convert it to 100%. That process would be completed by end of March, post which we will take up for Lineage Power.

**Kapil:** Last question is with regards to the leakage that is happening between your standalone financials and the consolidated financials. I assume this is because of the profit that you are earning on your own BOO projects, which is getting eliminated in the consolidation. Now this problem will multifold as and when your BOO capacity gets significantly higher. What is the thought process? Are you thinking of creating two parallel companies and then de-merging them so that you don't have to eliminate the profit in the consolidation out there?

**Rajavendhan P:** Point number one, you are right. Yes, it is because of the eliminations on the intercompany sales that we have done from Pace Digitek to the SPV for the BOO model of projects, which is eliminated in the standalone numbers. The standalone revenues that we have stated just eliminating the intercompany sales.

Point number two, what we are trying to do in terms of leveraging this is we are exploring structuring these projects in such a way that after the accounting, it can be shown as sales and it can be leased back to us. So, we are working on this particular model. But it is at the very early stages. Maybe soon we will be able to comment on this particular portion.

Third, as updated earlier, we are positioning TransGreenX Energy Private Limited as a HoldCo for all the BOO model, which would be owning all the SPVs now. At later stage , if there is a good valuation, we may consider to hiving it off. In those angles, we are working on. We are trying to leverage it to a better valuation and selling it at a future date after the commissioning.

**Moderator:** We have the next question from the line of Amol Kankariya from Startez Technologies Private Limited. Please go ahead.

**Amol Kankariya:** I have a question regarding BESS project that we are on the BOO model. What are the financing options that we have taken up for these projects? What is the cost of borrowing that we have for this?

**Rajavendhan P:** As I explained right now, we have three BOO projects with us, which is for about Rs. 3,250 crores of Capex. This is already funded in terms of the equity from the IPO fund and plus the internal accrual. And balance 70% to 75% would be financed in form of the debt from the financial institution. For MSEDCL project, which is our first project where we have already secured the loan from IREDA. And the next two projects, we are in the final stages with the financial institutions to close the financial requirement. The cost of borrowing we see around 9%, plus or minus 0.2%.

**Amol Kankariya:** What is the IRR that we are earning on these projects?

**Rajavendhan P:** With this interest rate, we are earning an Equity IRR of about 14%.

**Amol Kankariya:** What is the project IRR?

**Rajavendhan P:** The project IRR will be anywhere between 10% to 11.5%.

**Amol Kankariya:** It is a very thin margin. As the interest rates go down, only then, probably, this would be more profitable or the IRR can increase later.

**Venugopal Rao Maddisetty:** No, normally we calculate on the equity IRR because the debt portion is reduced on a monthly basis in terms of the interest and the principal that we pay back. For all the solar projects also the calculation is done on the equity IRR and the equity IRR for solar is in some cases about 12% to 12.5%.

**Amol Kankariya:** Okay, but then there will be O&M costs also later on in the project.

**Venugopal Rao Maddisetty:** That is being taken care on the financials already. So, from the income, we remove those, the interest burden and the loan and the repayment, everything is taken care and then we calculate the equity IRR.

**Moderator:** We have the next question from the line of Chintan Mehta from Punishka family office. Please go ahead.

**Chintan Mehta:** I just wanted to understand the ROI metrics of the BESS industries in the container manufacturing, how much capital we are going to put in, how much turnover you will get and the asset turnover, which we are in the normal BESS and the container BESS.

**Rajavendhan P:** You are talking about the container fabrication or you are talking about the BESS?

**Chintan Mehta:** If you can explain both ROIs metrics, that would be great. The asset turnover and the margins.

**Rajavendhan P:** The battery energy storage system as a product has a margin of about 13% to 15%. What we do in our factory is that we convert the lithium-ion cells to a pack, then to racks and racks to containers. That is what the value addition that we do in our factory. We have a factory setup of 2.5 GWh up and running, which is going up to 5 GWh by March. We have our operational efficiencies in place, which will give us a better margin. We are estimating that this margin of 13% will go up to 15% based on the, operational efficiency. With the container fabrication facility coming in place, which is a backward integration again, the margins are expected to improve another 1%.

**Chintan Mehta:** And asset turnover on both of them. For example, we are putting close to Rs. 400-500 crore and we are getting asset of close to Rs. 2,800 crore to Rs. 3,200 crore of revenue, correct?

**Rajavendhan P:** Yes.

**Chintan Mehta:** It is asset turnover of 8x kind of.

**Rajavendhan P:** If you want me to talk in terms of the margins, which is built from this product, the payback period is around 1.5 to 2 years.

**Chintan Mehta:** The second question is on BESS project, which we talking about 13%, 14% equity IRR. Apart from this IRR, we are going to make some product margin as well. Correct?

**Rajavendhan P:** You are right. Yes. As we explained that it is a backward integration of a business where we have EPC margins plus the product margins as well, because Lineage Power is a manufacturing company who would be manufacturing the product for the project. That product margin will be in addition to the IRR that we have stated.

**Chintan Mehta:** We do 100% everything in-house or a 50% of the component in-house and multiply by the product margin, correct? Or how much percentage we will be doing in-house?

**Venugopal Rao Maddisetty:** Around 60% of the project in terms of products will be produced in our factory. The balance goes towards the services and the third-party items, like, we call it as the BOS, balance of system, which is in turn with some transformers, panels and the cables, which we are not manufacturing. Around 60% would be the product in any project we produce in our factory.

**Chintan Mehta:** Then our overall IRR then would be much higher?

**Venugopal Rao Maddisetty:** Yes. If you netted off this, it will be much better. Like there are two ways of looking at it. One way is that margin you have netted out from the project cost, so IRR would be far better around 19-20%. Other way is to take this as an internal profit for the other two organizations, which unfortunately we are not able to show on the balance sheet because those SPVs are owned by us. The right way of looking at it is that the project cost will come down by netting off the internal profit and therefore IRR is far better.

**Chintan Mehta:** Can you please explain if the SPVs owned by promoter or how the structure is?

**Venugopal Rao Maddisetty:** Yes, let me explain, sir. I think it is in the interest of all our investors, we would like to explain this little more in detail. Pace Digitek Limited is a listed entity and it has a subsidiary of Lineage Power, in which we own about 80%. For asset-owned businesses under Build-Own-Operate model, we have won, three projects and PPAs have been signed. These SPVs were earlier under PDL, that is PACE Digitek Limited, as 100% owned.

Now, what we are doing is since this business is growing and we are increasing this portfolio, we have formed a new entity called TransGreenX Energy Private Limited, which is a wholly owned subsidiary of Pace Digitek and moving all these assets under that. By 2030, we have some good plans to grow that business into an annuity business.

There are two categories. One is the standalone BESS business we call where only battery systems we deploy and we collect the money on a monthly basis for 12 years. The second model is that it is called solar plus BESS, where PPAs are of 25 years.

What we are trying to do is, by using TransGreenX Energy, which we call it as TGX. TGX will own all these assets under SPVs. We will be growing this business independently.

As of now, it is 100% owned by Pace Digitek, that is a listed company. For future equity for all these three projects, we have already secured equity through IPO and internal accruals, but for the future projects, we are already working on raising money at a platform level, that is at a TGX level rather than a SPV level. This will give us better leverage on the funds deployed, and any excess funds can be used for new projects and similar opportunities.

So, keeping that in mind, TGX has been formed. We are in the process of moving the assets under this platform and the future businesses of asset owned will be under this platform. As of right now, it is 100% owned by Pace Digitek and at a later date, when we need money for the equity portion, we will be hiving off some portion based on the business needs.

**Chintan Mehta:** Thank you so much, sir, for explaining that bit. Just the last question from my side. Is it possible after one point, we need to de-merge this entity into a separate company so that our debt and equity cost of fund would become lower?

**Venugopal Rao Maddisetty:** Absolutely. We will be doing that at an appropriate time once we create some value in this platform. There are some positive vibes coming up from the market on this because in solar also, if you have seen, these kinds of platforms are very famous and we are working in that direction. At some point of time, de-merger also is possible to get the full benefits on this business.

But as I mentioned, we are in the process of creating this platform. We have already structured it and then we are executing all these projects under this platform. There will be Pace Digitek, Lineage Power and TransGreenX Energy. These are the two subsidiaries of Pace Digitek and we will try to take appropriate decisions in the interest of the company.

**Chintan Mehta:** Just wanted to know about import part of the BESS, how much import is cheaper compared to our, or it is neck to neck from the Chinese or Korean batteries. Even at container level or this is

only at the BESS level, just any blended you have, any number that 20% cheaper or something kind of.

**Venugopal Rao Maddisetty:** Yes. Okay. This is also an interesting question, sir. Again, in the interest of all our investors, we would like to elaborate a little more. For us, the input is the cell. We buy only the cells. Naturally, the cells are manufactured in China. We buy from four partners, all of whom are top-rated companies in China. Now the import duty is 5% on the battery cells. We procure cells and we convert into container and then supply as a product.

Number one. For example, if the cell cost is \$40, we pay import duty of 5% which is \$2 as a duty. Whereas the finished container today is about \$72 from China. On that, let's say 10% they do is \$7.2. The duty difference itself is \$5. That is the first point I would like you to note. There is a difference in duty just from a cell to the finished product and that is significant. This difference of about \$5 on \$70 product could go into our profit.

Number two, is that we are comparable for the \$72 when we manufacture in India, we are competing with Chinese on a like-to-like basis. The other indirect benefits for our customers that we are offering is that the local manufacturing will have local support, spare parts. These are long-term projects, whereas if they import from China, they only get a product, but then there is no support available in India.

In the long-term projects like this, something goes wrong, it is a binary - battery system is working or not working. If it is not working and if minimum 95% availability required under the contract is not maintained, then the penalties will kick in. There is always mixed reaction as of now in the market that should we import from China or should we look at local.

We are working with our customers and people are inclined to buy from us. There are positive developments we are working on where they are visiting our plant and they are trying to view. Some people have already given orders to us, like L&T has given order to us, which we are executing in this Q4. Then Advait Greenergy has given another order. There are some more orders are expected soon. I can confidently say that we are comparable with China prices on apple-to-apple basis. The duty benefits are helping us.

Number three, the local support and spare parts, all that also indirect benefits that China doesn't have. This product being technical, it cannot be just that we install and no need for any services. These are the three indirect benefits and the two direct benefits by which we are confident that we can do well to supply to our other customers as well.

**Chintan Mehta:** I understand completely. Thank you so much, sir, for answering in such a brief and detail that is a lot more helpful. A suggestion from my side, if we can do more road shows or a plant visit to the analyst, that would be great for everyone.

**Moderator:** We have the next question from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.

**Deepesh Sancheti:** The gross margin decline, whereas also the EBITDA margin YoY declined as well as QoQ basis it was almost flat. What is the trajectory which the management is looking at? What will be the margins going forward? And we should expect volatility as the execution scales up?

**Rajavendhan P:** As we explained, the telecom has a better margin in terms of one specific project that we have undertaken for the tower erection, which has enabled us good margins for this year and also in the past. For this financial year specifically, there is a mix of both the telecom and energy which has impacted the EBITDA margin. As we explained that going forward, it would be the energy order book, which is going to have a significant contribution to the overall top line. Yes, there is EBITDA margin is dip on YoY basis for this particular reason and it is expected to get stabilized at this level we have shown in Q3.

**Deepesh Sancheti:** The order book of Rs. 8,468 crores, till when it will be realized? And what is the percentage of realization in Q4?

**Rajavendhan P:** As we explained, except for the Built-Own-Operate model, which is about Rs. 3,250 crores of order book, this will get executed, but the revenue will flow over a period of next 12 years' time. But for the balance, which is about Rs. 6,300 crores, that will, say, add to the overall top line of the business between Q4 FY27 and H1 FY28.

**Deepesh Sancheti:** What about the finance cost which has reduced significantly? How much of it is structural versus timing related?

**Rajavendhan P:** The finance cost is reduced because of the reason that yes, this year we had a lower borrowing compared to the last financial year. But as we explained, the built-own-operate model has just kick-started and we have got the first lot of funding for this. This finance cost is expected to again come to the normal levels with the term loan coming in place for the BOO model.

**Deepesh Sancheti:** What would be the Capex going forward? If you can give a guidance till around FY28?

**Rajavendhan P:** As we explained, capacity expansion from 2.5 to another 2.5GWh is already in process and we are expecting in next 2 months' time it will get commissioned. The next financial year we are doubling this capacity from 5 to 10 GWh. This will again have a capital outlay of about Rs. 80 crore to Rs. 100 crore because we have all other infrastructures in place and plus the land which is available with us.

Only the plant and machinery and the structures we need to put which is for about Rs. 80 crore to Rs.100 crore which we would be investing in the next financial year. Plus, the container fabrication which we have already undertaken has a Capex outlay of Rs. 30 crore to Rs. 40 crore excluding the land again. Land is already owned by us.

These are the immediate Capex for the next financial year, but for FY 28 and FY29 we are yet to plan for. Yes, we have some plans and we would be announcing it at the appropriate time.

**Deepesh Sancheti:** The entire Capex will be funded by internal accruals only?



**Rajavendhan P:** Yes, right. The accruals that we have taken in the telecom project would be used for all these Capex.

**Moderator:** We have the next question from the line of Bhavana Jain from Avagrah Capital Advisors. Please go ahead.

**Bhavana Jain:** I just have a question on the BESS business. Order book has 54% BOO projects and 41% EPC projects. So, first question is the margins you have already given, just that the BOO projects are meaningfully higher in case of IRR. Does that mean slower cash flow as compared to EPC?

**Rajavendhan P:** No. It is like this. Yes, you are right. About 38% is from the developer projects out of the total order book. When you say developer project, it is including the EPC and the product. On the IRR side, it is 14%. As we explained, it is excluding the product margin and the EPC margin, which is separate in the legal entities of Pace Digitek and Lineage Power.

**Bhavana Jain:** The question is about the cash flow itself. So, it is similar or it is different again?

**Rajavendhan P:** It is different for the reason that when it is an EPC contract, it is a working capital which needs to be put, which will remain with us for the commissioning period plus six months' time. But for a developer project, the term loan which is taken will be repaid over a period of the project tenure, which is about 10 years for a 12-year project.

**Bhavana Jain:** Can you just give a little blended EBITDA margin only for the energy order book, if there is anything? I mean, maybe FY27?

**Rajavendhan P:** Yes. As we explained that the product that we are supplying from our factory, which is the BESS product, has an EBITDA margin of about 13% to 15%. When I do this product, when I use this product for EPC project, the EPC will have an additional margin of about 8% to 10%.

**Bhavana Jain:** This last question on the working capital side. How is the working capital position in case of this BESS business or the energy side business? If you can just give a highlight because the blended working capital looks a little, because as we know that the telecom side is a little higher as far as the working capital is considered. Can you just give a little difference of working capital between these two businesses, the BESS and the telecom, at least the BESS one?

**Rajavendhan P:** The telecom remains at about 120 to 150 days of net working capital. Yes, it is stretched because of the retention monies that is the inherent nature of the tenders that we have. For the BESS project specifically, we again, for the EPC, for the product specifically, the working capital we see is about 90 days. For the EPCs, we see about 90 to 120 days.

**Bhavana Jain:** Just a question on follow-up question on the previous participant, when you were discussing about TransGreenX. Is my understanding correct that the TransGreenX company will have all the businesses which are product or manufacturing side, that will include the telecom as well, or it will include only the manufacturing portion of part of the BESS business?

**Rajavendhan P:** Let me explain again. TransGreenX Energy will be a wholly-owned subsidiary of Pace Digitek, which will be holding all the developer projects. The Built-Own-Operate model of projects will be put under this HoldCo level in a separate SPV. This company will be holding only the BOO model of business, which is the annuity model, while the manufacturing and the EPCs are kept separately. This company is only for the BOO model of the business.

**Bhavana Jain:** Just one last question from my end about the BESS business again. So, what will be the revenue potential? I am trying to understand that is the unit economics of this BESS business, that what will be the revenue potential of each 1 gigawatt-hour of this capacity suppose annually if there is any base number to be given?

**Rajavendhan P:** I will state in terms of per megawatt-hour. It is about Rs. 1.2 crores to Rs.1.3 crores per megawatt-hour is at the project level, EPC level, which will have about INR 70 lakhs of the product, in-house product that we have. This is including the taxes.

**Moderator:** We have the next question from the line of Ravindra Naik from Sunidhi Securities. Please go ahead.

**Ravindra Naik:** Sir, you mentioned that you will be getting another Rs. 4,000 crores of BESS orders in this quarter by the end of this year. What would be the BOO component and what is the EPC and supply component in that Rs. 4,000 crores additional order you were expecting?

**Rajavendhan P:** This will be having a mix of both BOO and EPC for about 60:40.

**Ravindra Naik:** That means we will be finishing this here with a BOO order of up to around Rs. 5,000 crores or more than that. Is it right understanding?

**Rajavendhan P:** Yes, sir, we are estimating this number.

**Moderator:** We have the next question from the line of Sourav Khara from VT Capital. Please go ahead.

**Sourav Khara:** Sir, what is the BESS industry size in terms of volume and value?

**Venugopal Rao Maddisetty:** By 2030, that is the government document says it is 236 GWh is required for the country. Based on this renewable energy integration of 500 GWh, the estimation is that BESS requirement is 236 GWh by 2030.

**Sourav Khara:** What is the current size? What is the current industry size?

**Rajavendhan P:** Out of this 236 GWh, the country has already, with all DISCOMs put together, they have issued the tenders of about 60 to 40 GWh, out of which about 25 plus GWh is already awarded. And out of which we are proud to say that we have 3.3GWh of developer projects plus the 1 GWh of EPC project.

**Moderator:** We have the next question from the line of Tej from Niveshaay. Please go ahead.

**Tej:** You explained very well the import versus domestic price point with your earlier question. Just wanted to get your viewpoint on, a lot of players today, what we understand are putting up capacities from cell to pack or maybe cell to rack or container in India. In that case, how would we compete? What would be our pricing strategy? Help me understand what would be the current installed production capacity from cell to pack in India? We understand a lot of lines are coming up in India, in that case, how will the competitive scenario look for us?

**Venugopal Rao Maddisetty:** Yes, today we are the largest BESS manufacturer from cell to container. That is proven and it is in the market already. Yes, many people are thinking of doing it, but in my opinion, this will take about 1.5 years, at least one year and above to basically get some capacity built in India. We do want more capacity being built because there is a lot of demand coming up.

At the same time, from our own company point of view, we would like to maintain the lead that we have taken. Being the front runner, we want to maintain this lead even going forward. That is where we are adding another 5 GWh. We would like to be a 10-GWh company hopefully by September of this year.

With that capacity, we will certainly be ahead of the curve, and then we take the decisions appropriately, like as we mentioned that we have already started the further backward integration of container manufacturing which others are not at all even doing that today. We will keep taking these kinds of decisions at an appropriate time to maintain this lead. The demand looks very good. So, there is a scope for many such companies to get into. However, we would like to maintain this lead for some more time.

**Tej:** If you could help me understand what will be the current installed production capacity from cell to pack in India? Any idea on that?

**Venugopal Rao Maddisetty:** That is other than us, there is no production capacity from cell to pack or cell to container as of now. Some people are doing pack to container because the cell to pack is a critical thing. So, people are bringing the packs and then doing it as of now, but cell to container, I would say strongly that we are the people currently having this capacity. But there may be something coming up some, I don't want to name them, in the next 8 to 12 months, one or two companies are going to be ready.

**Moderator:** We have the next question from the line of Gaatha Jain from Anantnath Skycon Private Limited. Please go ahead.

**Gaatha Jain:** So, I just wanted to understand going forward as the competition increase, do you see a possibility of the margin shrinking down?

**Rajavendhan P:** Yes, the margins are a factor of the raw material prices and other aspects. With the competition getting built on, what advantage that we have is that we have an early mover advantage where though the people who are coming in the next one or two years' time, by the time we would have stabilized our product and stabilized our efficiency factor. We don't expect a margin dip bigger

way because margins are already shrunk for this particular sector of business. We don't see a bigger shrink further to this.

**Gaatha Jain:** Going forward, what margin do you expect, like the stabilized margin?

**Rajavendhan P:** As we explained, the EBITDA margins are expected of about 13% to 15%. The project margins are expected to be about 8% to 10%.

**Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today and with that concludes the question-and-answer session. And I will hand the conference back to management for the closing comments. Thank you, and over to you, sir.

**Rajavendhan P:** So, we on behalf of Pace family, we thank everyone for attending this call, and we thank all our investors who are interested and they have invested in our company, and the company as you hear the numbers, it is going to the next level in terms of the energy transition. So, with this, we thank all the investors who have participated today. Thank you.

**Moderator:** Thank you, Management members. On behalf of Go India Advisors LLP, that concludes this conference. Thank you for joining with us today, and you may now disconnect your line.

**\*\*\*end\*\*\***