

Rating: Neutral

Issue Offer

Fresh Issue of 4,383,600 Equity Share aggregating up to INR 990.7 Mn

Issue Summary

Price Band (INR)	214-226
Face Value (INR)	10
Implied Market Cap (INR mn.)	3,760.9
Market Lot	600
Issue Opens on	Nov,22,2024
Issue Close on	Nov,26,2024
No. of share pre-issue	1,22,57,568
No. of share pre-issue	1,66,41,168
Listing	NSE,SME

Issue Break-up (%)

QIB Portion	50%
Retail Portion	35%
NII Portion	15%

Registrar

Link Intime India Private Ltd

Book Running Lead Managers

Mark Corporate Advisors Private Ltd
Beeline Capital Advisors Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	55.00%	41.00%
Public & Others	44.71%	59.00%

Objects of the issue

- Towards fit-outs at the new premises at both Bengaluru and Dubai.
- Funding of capital expenditure towards the purchase of fixed assets
- To fund the working capital requirements of the Company.

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C2C Advanced Systems Ltd. is a vertically integrated Defence electronics solutions provider specializing in digital transformation systems centered on virtual supply chain, logistics, maintenance, and AI/ML-driven intelligent platforms. Catering to mission-critical defence applications for India's military and global security apparatus, CASL delivers customized software and systems with in-house architecture and design. Known for its technological edge and high margins, the company focuses on data analytics for situational awareness and command control. Despite its capital-intensive operations due to long approval, testing, and payment cycles, CASL benefits from a strong order pipeline and a revenue mix of over 90% from exports. Driven by a commitment to making India a leader in defence, security, and aerospace technologies, CASL is poised for growth through innovation and global partnerships.

Investment Rationale

Comprehensive Defence Solutions : CASL offers a diverse range of high-quality products and end-to-end solutions for defence applications, catering to both Indian and global markets. With expertise in C4I systems, AI/ML-based big data analytics, and real-time enterprise integration, CASL delivers customized solutions covering design, development, manufacturing, and testing. The company's focus on modularity, scalability, and adherence to international standards ensures robust and tailored offerings that seamlessly integrate with existing systems. By serving as a single-source vendor for varied customer needs, CASL expands its customer base while addressing specific and critical requirements with precision and innovation.

Strong R&D Capabilities Driving Innovation: Company prioritizes research and development to drive innovation and expand its product portfolio in the defence and manufacturing reorganization consulting sectors. With a dedicated Experience Centre in Bengaluru, showcasing immersive near-live deployment scenarios, CASL demonstrates its advanced capabilities across platforms like aircraft carriers, frigates, and missile boats. Investments in precision manufacturing and skilled resources have enabled the company to develop cutting-edge technologies, improve existing solutions, and address future defence requirements. CASL's focus on in-house design and manufacturing positions it as a leader in the Indian defence industry, reinforcing its commitment to innovation and self-reliance.

Strategic Advantage in Atmanirbhar Bharat and Make in India Initiatives : CASL is well-positioned to leverage India's "Atmanirbhar Bharat" and "Make in India" initiatives, driven by transformative defence sector reforms and the Defence Acquisition Procedure of 2020. These policies emphasize indigenous production and restrict imports of 209 critical defence items through positive indigenisation lists, fostering opportunities for domestic manufacturers. With its robust R&D, domain expertise, and manufacturing capabilities, CASL is poised to capitalize on the government's push for self-reliance. The company is strategically aligned to address future defence needs, including advanced systems like AEW&C, MRSAM weapon systems, and next-generation platforms, ensuring a significant role in India's evolving defence ecosystem.

Strengthening Market Presence in India's Expanding Defence Sector : Company aims to solidify its foothold in India's growing defence market by leveraging its competitive strengths, expanding its product portfolio, and indigenizing advanced foreign technologies. Supported by initiatives like Atmanirbhar Bharat, the Defence Acquisition Procedure, and Make in India, CASL is poised to capitalize on the government's emphasis on self-reliance and innovation. By increasing market penetration, enhancing capabilities, and establishing a stronger presence across India, CASL plans to capture a larger market share. With India reducing its reliance on imports and fostering domestic defence production through MSMEs and start-ups, CASL is strategically positioned to contribute to the indigenisation drive while building long-term partnerships with key stakeholders in the defence ecosystem.

Valuation and View : C2C Advanced Systems Ltd. (CASL) faces several risks in its operations, particularly in maintaining its competitive edge in an increasingly crowded defence market. Despite its focus on AI/ML-based analytics and precision manufacturing, the company's reliance on government contracts could expose it to fluctuations in defence spending and changes in government policies. Additionally, the emphasis on indigenisation under initiatives like Atmanirbhar Bharat might put pressure on CASL to meet stringent quality and performance standards, potentially increasing costs and straining resources. Any delays in R&D or production capabilities could hinder CASL's ability to meet evolving defence needs, and competition from established global players remains a threat as India continues to open its defence sector to foreign investment. At the upper band of INR 226, the issue is valued at a P/E ratio of 30.34x based on a FY24 EPS of INR 7.45. And based on annualised FY25 earnings the issue is valued at P/E ratio of 22.55x. We are recommending a "Neutral" for this issue.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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