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CAPITAL**



Digitian View

A monthly Investment outlook



FUTURE FOCUS

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Artificial Intelligence (AI) - Investor Note for US Market(Part 1)

DIGITIAN VIEW!

MARKET WATCH

US stock Market is considered the most advanced Market for technical stocks. NASDAQ specially welcomes new age tech companies adopting the AI trend.

I am starting a series on Artificial Intelligence(AI), This will help Investors to navigate the investment spectrum of AI stocks better :

The global AI industry is estimated to have been worth nearly \$748 billion at the end of 2024 and is expected to grow at around 40% CAGR until 2033 to \$4.5 trillion. No matter what, it's big money and offers equally significant opportunities for shareholders.

What is Artificial Intelligence (AI) ? AI is a machine performing the same functions as a human including perception, reasoning, problem solving, creativity, learning and self-direction.

We already interacted with AI — like Alexa and Siri along with many of the chatbots and writing tools found on the

Internet but those are early generations of AI over the last 10 years. Machine learning is at the heart of AI. Machine learning is the advancement of big data analysis and datamining. It uses algorithms to detect patterns within datasets and then uses those patterns to predict the probable outcome. The next phase of Deep Learning - the era of neural networks - now we have witnessed the Genrative AI through the launch of ChatGPT by open AI in end 2023.

The world created more than 402.89 million terabytes of data daily in 2024 — 2.8 zettabytes per week. (where a zettabyte equals to one billion terabytes). It is a mind-bending figure to comprehend and far too much data for humans to catalog, let alone analyze, without the help of machines. Thus AI computing requires handling significant scale of data so advanced Server and also requires Fast computing which requires change of

Equity Indices	Monthly Close	Monthly Change %	2025%	2024%
S & P	5954	6.2%	1.2%	24.0%
Nasdaq	18847	6.4%	-2.4%	30.8%
FTSE 100	8809	3.7%	7.8%	9.1%
Shanghai CompSITE	3321	1.3%	-0.9%	13.4%
NIFTY	22124	-9.4%	-6.9%	10.1%
Nairobi SE 20	2135	-4.1%	6.2%	33.3%
Egypt SE 30	30852	-4.0%	3.7%	16.8%
Tanzania All Shares	2266	-1.4%	5.9%	2.3%
Nigeria SE 30	4004	2.0%	5.0%	34.3%
Morrocco All Shares	16723	-3.8%	13.2%	21.7%
Bangladesh DSE 30	1905	4.5%	-1.8%	-7.3%

Commodity	Monthly Close	Monthly Change %	2025%	2024%
Gold	2862	-12.3%	8.5%	27.4%
Crude Oil	72.81	16.5%	1.5%	-4.8%
WTI Oil	69.76	16.9%	-6.3%	5.9%
Copper	4.57	-2.8%	13.6%	4.0%
Iron Ore	107	7.8%	3.3%	-24.0%
Aluminium	2609	8.2%	2.1%	10.5%

chip and server architecture. Here comes the role of GPU - highly advanced graphics processing units developed to meet the demand for video games. GPUs are dedicated clusters of microchips that allow for high-speed processing of multiple data inputs simultaneously. This was used in blockchain technology for cryptocurrency applications and in the healthcare sector.

GPU clusters drive AI networks. It takes a cluster of computers, each using a GPU or series of GPUs controlled by another GPU, to make it work.

Where does AI “live”? In the cloud, either public or private. AI algorithms and training modules require so much data and computing power that it is the only place they can exist. So in the last 2 years there are high scale up-gradation of Data centers world over.

At present, the foundation of data centers are clusters of GPU powered computers linked together via GPUs. Again these GPU clusters require higher amount of continuous Power (energy), the more the zettabytes of data the more requirements’ series of clusters of GPU and more is the requirement of power and air conditioning etc. This is now possible the EV battery and energy solution. Thus, all parts of AI computing are ready or already available in the ecosystem and continuously advancing every day.

Graph: AI Value Chains in Five key Groups



Understanding the AI value chain for Investment opportunity :

As per JP Morgan, in very simple terms, AI companies can be bucketed into **five key groups**:

- **AI hardware (for example, Nvidia in the US, ASML in Europe and TSMC in Taiwan)**, which are the companies that drive the design and manufacture of the semiconductors and GPUs that are key to generating computing power.
- **AI hyperscalers (eg, Amazon’s Web Services business or Google Cloud or Alibaba Webservices)**, which are the companies that provide physical AI infrastructure such as cloud services and data centers, create custom silicon chips, and build large language models that can be used by other companies;
- **AI developers**, which can range from small app builders to existing enterprise software companies (for example, Adobe or Microsoft) that leverage hyper scaler technologies to provide solutions for end users;
- **AI integrators, which are the larger organisations (Apple, TMUS, Tesla etc)** that have sufficient technology functionality to build their own AI solutions, as well as the IT services companies that support them;
- **AI essentials, include companies that are less directly impacted** by the technology itself, but provide the resources that enable the whole AI value chain to work, whether that is energy, air conditioning, raw materials or even the data to train models.

Continued to Part 2

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2024p %	Inflation 2024p %
USA	29297	62204	1.8%	3.00%
China	18530	11513	4.6%	1.66%
India	3940	5140	6.5%	4.8%
Egypt	361	44	4.0%	21.19%
Kenya	1094	15.9	5.2%	5.5%
Tanzania	89.04	7	6.0%	3.1%
Morocco	151	64	3.6%	2.30%
Nigeria	390	36	4.25%	19.0%
Bangladesh	355	114	4.1%	9.90%

Forex	Monthly Close	Monthly Change %	2025%	2024%
EUR USD	1.038	-8.22%	0.1%	-4.9%
GBP USD	1.257	-5.63%	0.4%	-0.9%
USD INR	87.47	-4.15%	2.0%	-3.0%
USD KES	128.70	0.58%	-0.3%	17.9%
USD EG POUND	50.60	0.59%	-0.5%	-64.4%
USD TZS	25689.00	-89.53%	950.7%	2.8%
USD NAIRA	1498.00	7.08%	-2.7%	-73.7%
USD TAKA	121.00	0.72%	1.3%	-8.6%



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Recommendation by	Name of the Company	Date of Purchase	Entry Price	Actual Gain Published in Dec 2023	Actual Gain Published in July 2024	Actual Gain Published in Dec 2024
Debashish	NGL Fine Chem	13-Mar-20	302	631%	730%	581%
Debashish	Tata Elsi	27-Apr-20	790	1024%	831%	841%
Debashish	RACL Geartech	4-Aug-20	65	1817%	1805%	1298%
Debashish	Arman Financial	8-Feb-17	243	952%	840%	475%
Saugata	Shivalik Bimetal	5-Feb-21	69	770%	901%	809%
Saugata	Newgen Software	7-Apr-20	116	1279%	898%	1374%
Saugata	Indian Bank	11-Jan-21	87	422%	586%	595%
Saugata	Glenmark Pharma	31-Jan-23	371	Not in Top 4	Not in Top 4	347%



Debashish



Saugata

Trident sold (Saugata)

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VALUE INVESTING

Debashish Neogi

“A 100x Multi bagger will be generally in the small cap, sector agnostic, multiplies in a short time span but may be over 10 years, - a right to win is a must but you require a megatrend as tail wind”

Investment Note on HBL Engineering (Part 2)

Debashish earlier shared his selection of HBL Engineering as a multi bagger stock. He now shared his comprehensive investment note on the HBL Engineering.

This is a great opportunity for our readers to follow real time a multi bagger stock. Now read Part 2 of a Part 5 investment note

2. Deep Dive(Continued from Part 1)

Capex and Capacity: HBL has been investing in capacity expansion aligned with its growth areas. Recent annual reports and a CARE Ratings review noted a planned ₹110 crore capex to establish a new facility for lithium-ion cell assembly and Electric Drive Train (EDT) manufacturing in Phase I of this project was targeted for completion by end-FY2022, though any delays and current status are unclear. Separately, HBL has committed smaller capex to “line balancing” and debottle-necking in its battery plants to improve output, as well as new infrastructure for the electronics division (for example, a dedicated production line for fuses and additional electronics testing labs) All these expansions are being funded through internal accruals, thanks to strong operating cash flows. The company’s negligible debt gives it headroom to finance growth; Indeed, FY2024’s robust profits boosted cash reserves, enabling prepayment of older high cost debt.

Revenue and Margin Trends: Over the last 3 years, HBL’s financials have improved dramatically. From FY2019 through FY2021, growth was tepid and margins were depressed (single-digit EBITDA margins), partly due to high fixed costs from R&D projects. By FY2022, green shoots appeared –EBITDA margin in Q3 FY22 was the best in many years. Operating Leverage kicking in. This trend accelerated: in FY2023, revenue grew modestly to ₹1,350 crore, but in FY2024 revenue jumped 63% YoY to ₹2,239.7 crore. EBITDA margin improved to 19.2% (vs 11.6% in FY23) and PAT margin to 12.6% (vs 7.1%). The margin expansion was driven by higher volumes (especially in industrial batteries, which improved cost efficiency) and richer product mix – defense and electronics segments enjoy better pricing power. HBL’s management expected FY 2025 to be a flat year in sales (as a large gap in new railway tenders occurred in mid-2024) but with order execution resuming, FY2026 could see another leap. The company has indicated that FY2025 is about consolidation – focusing on fulfilling current orders and strengthening capabilities – setting a base for a high-growth phase in FY 2025-26 and FY2026-27.

Industry Dynamics: HBL’s reports note several structural tailwinds. In telecom, the rollout of 4G/5G and data centers is driving continued need for backup power systems (batteries) despite the gradual shift to lithium HBL has adapted by

converting some telecom VRLA battery lines to other uses (like UPS batteries) and introducing new Pure **Lead Thin Plate (PLT)** battery technology, which offers high power density for data centers, competing with lithium solutions. In railways, aside from Kavach, HBL also sees opportunity in **Train Management Systems (TMS)** and **modernization of signaling** – in a pan India rail upgrade. In defence, government’s **Atmanirbhar Bharat initiative** (self-reliance) has become a catalyst for orders to domestic players. Even the discussions on **electrifying heavy transport for long-haul** to meet climate. In summary, the markets HBL serves (rail safety, defense hardware, backup power, EV components) are all on multi-year growth trajectories

B. Risks and Challenges: Despite HBL’s positive momentum, the company acknowledge several risks in its filings that investors should note:

Raw Material & Input Cost Risk: Batteries are material-intensive (lead, nickel, lithium etc. form a big portion of cost – lead alone is ~50–60% of battery cost. Volatility in commodity prices can squeeze margins. HBL partially mitigates this through cost-plus pricing in some contracts and by improving internal efficiency.

Continued to page 5

The company also imports certain raw materials (e.g. lithium cells, electronics components), exposing it to foreign exchange fluctuation risk. In FY2024, HBL had ₹6.32 crore forex loss. It uses hedging to manage this, but sudden INR depreciation could impact costs.

Working Capital & Execution:

Like many engineering, project and manufacturing firms, HBL has working capital-intensive Big contracts implying long receivable cycles and inventory buildup. In FY2024 the working capital cycle improved but was still ~114 days. As business shifts to project-type electronics orders (which often involve stage payments), there's a risk of cash flow timing mismatches. So far, HBL has handled this well – its cash from operations has been robust enough that short-term debt usage is minimal. Another risk is execution capacity: HBL will need to execute large railway orders within stipulated timelines (e.g. the ₹762 cr Central Railway Kavach to be completed in 18 months). Any delays or performance issues could lead to penalties or reputation damage. The company is ramping up manpower and manufacturing for this, but it's an area to watch given the scale-up.

Technological/Market Shifts:

HBL's management has candidly noted that technology can disrupt their traditional products. For instance, in telecom, lithium-ion batteries are displacing lead-acid VRLA for tower backup due to falling costs. HBL is responding by adding lithium offerings, but its historical strength was in lead and Ni-Cd chemistry. If it fails to stay competitive in lithium battery tech, its large installed base in telecom/

power may erode faster. Similarly, in defense, any failure in trials (like for fuses) or the emergence of alternative technologies (e.g. newer communication systems) could derail the company's plans. **The R&D-heavy model that HBL follows has risk:** some projects might not commercialize. Past annual reports show a few long-running R&D projects that did not yield significant revenue, which dragged returns in earlier years.

Regulatory and Geopolitical Risks:

Being in sensitive sectors, HBL is exposed to government policy and procurement decisions. Any change in defense procurement may entail shift in policy or rail budget can directly impact order flows. The tragic Odisha train accident in 2023, for example, suddenly spurred political will to accelerate Kavach – a positive for HBL; conversely, any slowdown in these programs (due to budget cuts or shifting priorities) would pose a risk. On regulation, environmental norms around lead handling are tightening. Battery manufacturing involves toxic materials, and stricter pollution control could increase compliance cost. HBL has maintained ISO-certified processes and a record of zero-liquid discharge at its plants but it must continuously invest to meet ESG expectations. Also, global trade issues (tariff on electronics import restrictions from few countries) can affect component sourcing of HBL.

Market Perception and Governance Risks:

While not a fundamental risk per se, it's worth noting that some investors historically viewed HBL as a “story of unfulfilled promises,” given its past struggles to monetize R&D. So far, in the last 2-3 years, they have largely delivered (e.g. achieving debt-free status, expanding margins, winning marquee orders). Market concerns today are more about valuation (addressed later) than

governance. One area to observe is related party transactions or associates: HBL invested ~₹87 crore in FY2024 in a defense tech startup (Tonbo Imaging for its night-vision tech) which complement HBL's defense portfolio. This shows strategic intent but investors will watch that such investments remain prudent and do not divert focus. Management appear committed to improving transparency – they've started sharing segment breakups and even AGM videos,

C. Management & Governance: HBL is led by **Dr. A.J. Prasad**, an MIT-educated technocrat who founded the company in the 1980s and spearheaded its R&D-driven approach. He continues as Chairman & Managing Director, with his daughter **Ms. Kavita Prasad** on the board as a whole-time Director. The continuity in leadership has benefits: deep technical know-how and long-term vision. However, **it is still very much a promoter-driven company.** Some points on management and governance from recent disclosures:

Insider Shareholding and Changes: The promoters hold ~59% of HBL's equity, and this has been stable or inching up. Over the last year, promoter holding increased marginally (by ~0.5%) due to open-market purchases. There is minimal institutional ownership – as of March 2025, Foreign Portfolio Investors (FPIs) held ~4.8% and domestic mutual funds only ~0.2%. The low institutional stake is partly historical (the stock was under-the-radar), but it means the free float is largely with retail investors. Insiders have not sold shares in recent years, which signals confidence in the business outlook.

The balance portion of the Investment note in the next month Newsletter (Part 3)

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