



DIGITIAN CAPITAL



Digitian View

A monthly Investment outlook



FUTURE FOCUS

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Artificial Intelligence (AI) Hardware Trend - US Market(Part 2)

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 started a series on Artificial Intelligence(AI). Its a life time Opportunities. This will help Investors to navigate the investment spectrum of AI stocks better :

As per Kalyan Saladi – a top software engineer at Meta “AI is nothing without this parallel industry - Data Centers”. This parallel industry is well established for over a decade. This industry is the fuel for AI and Forbes says "AI needs this industry to survive" That means the growth of AI is 100% dependent on the growth of data companies (AI Hyperscalers). Industry newsletter Datamation says that “without big data, AI would not have the training data”.

According to data from S&P Global, just five AI hyperscalers (Microsoft, Meta

Google, Amazon, and Apple) are currently projected to spend **more than \$1 trillion in capex** collectively from 2025 to 2027, which in turn is driving massive revenue expectations for **AI hardware names**. While Chinese companies expect to spend **\$414 billion** on AI infrastructure in the next 3 years The good news for technology bulls is that **AI adoption appears to be increasing**. McKinsey's Global Survey on AI earlier this year, for example, showed that **the proportion of companies that have adopted AI in at least one business function had jumped from 55% in 2023 to 72% in 2024**, with an even greater jump in the proportion of businesses using generative AI.

So far, investor excitement has primarily been anchored in the first two of Five AI categories we mentioned in part 1 - hardware and hyperscalers, where companies are often located in the technology and

Equity Indices	Monthly Close	Monthly Change %	2025%	2024%
S & P	5971	0.3%	1.5%	24.0%
Nasdaq	19460	3.3%	0.8%	30.8%
FTSE 100	8801	-0.1%	7.7%	9.1%
Shanghai CompSITE	3379	1.7%	0.8%	13.4%
NIFTY	24620	11.3%	3.6%	10.1%
Nairobi SE 20	2183	2.2%	8.6%	33.3%
Egypt SE 30	32678	5.9%	9.9%	16.8%
Tanzania All Shares	2300	1.5%	7.5%	2.3%
Nigeria SE 30	4153	3.7%	8.9%	34.3%
Morrocco All Shares	18648	11.5%	26.2%	21.7%
Bangladesh DSE 30	1746.22	-8.3%	-10.0%	-7.3%

Commodity	Monthly Close	Monthly Change %	2025%	2024%
Gold	3393	18.6%	28.6%	27.4%
Crude Oil	64.75	-11.1%	-9.7%	-4.8%
WTI Oil	62.64	-10.2%	-15.8%	5.9%
Copper	4.90	7.2%	21.8%	4.0%
Iron Ore	96.26	-10.0%	-7.1%	-24.0%
Aluminium	2489	-4.6%	-2.6%	10.5%

At the same time, the **top 10 stocks** in the S&P 500 are now responsible for over 40% (R&D) expense, despite only representing 13% of the S&P's revenues. Many of these stocks will have hyper growth phase in the next 3-4 years with high valuation multiples.

AI Hardware

When AI requires to process Zetta bytes of data you require GPU or higher innovations in processing architecture and innovations in semiconductors. AI Hardware companies took advantage of that.

NVIDIA (NVDA)

Nvidia is the prime beneficiary of AI growth, where annual revenues have increased from \$4bn in 2014 to an expected \$61bn in 2024. In only 2 years It became the **largest company in the world in terms of Market capitalization of \$ 4.1 Trillion with a PE multiple of 56x.**

NVDA is a dominant player in the AI chip, GPU (leading with about 80% market share in add-on GPUs), and semiconductor markets, especially known for its high-performance graphics processing units crucial for AI applications, gaming, and data centers.

As we explained earlier, in the initial phase (last 3 years) investment took place on AI Data infrastructure by

Data Companies in upgrading their Data centers and Cloud based Software architectur to be AI ready.

NVIDIA's AI GPU order book is extremely full, with about a 12-month wait for the Blackwell series. This supply-demand imbalance gives NVIDIA significant pricing power and high margins (~78% gross margin in Q1 2025). Since NVDA gets Semis for GPU manufactured by Taiwan Semiconductors and ASML by booking machine slots in advance. This highlights NVIDIA's dominant position and unprecedented demand in AI GPU markets going into 2025.

According to **CEO Jensen Huang** of NVDA, this is just the initial phase of AI application from Generative AI phase it will move to Agentic AI, so this decade will be of NVDA.

We think atleast next 3-5 years NVDA will go through higher growth of Revenue. The expected revenue Growth in 2025 is 52% and 26% for 2026 and we expect atleast 23% for 2027 so over 100% growth in Revenue. We expect NVDA's Gross Margin will gradually fall as others will come out with better or matching products at a lesser cost. **The EPS will grow at a CAGR of 28% for next 5 years (last five year's CAGR of 76%) and in 2025 it is expected to be 42%. We expect that NVDA's market price will reach \$300 by 2027 at PE 40.**

AI harware will cover **AMD, Broadcom, IBM, Micron, TSMC, Huwaeii in Part 3**

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	1.142	10.0%	10.2%	-4.9%
GBP USD	1.360	8.2%	8.6%	-0.9%
USD INR	85.77	2.0%	0.0%	-3.0%
USD KES	129.25	-0.4%	-0.1%	17.9%
USD EG POUND	49.67	1.9%	2.4%	-64.4%
USD TZS	2682.00	-3.5%	-8.8%	2.8%
USD NAIRA	1575.00	-4.9%	-2.3%	-73.7%
USD TAKA	122.20	-1.0%	-2.3%	-8.6%



NVDA grew from \$12.24 in Oct 2022 to \$174 in July 2025 a growth of 1443% in 34 months as super Multi-bagger stock.



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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 3)

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 3 of a Part 5 investment note

Promises vs Execution: Historically, HBL had a mixed record – many ambitious projects were announced, but financial performance lagged (e.g. despite pioneering work in railway TCAS and EV drives, it took over a decade for these to translate into revenue). **Lately, the execution has improved markedly.** For instance, management had guided that the electronics division would drive growth once rail orders start – and indeed electronics revenue 3× increased in FY24. Management indicated they are developing lithium cell manufacturing – a potentially game-changing move – but so far, no timelines or concrete output has been reported. Overall, recent execution has built credibility, but the next leg (delivering huge orders on time, scaling new products) will be the true test.

Future Guidance Realism:

Management also expressed an ambition to increase export sales, especially in defense and rail, to diversify. They are targeting new international clients (possibly in the Middle East and Africa

for rail systems, and Southeast Asia for defense batteries). Such goals appear reasonable, as HBL already has a footprint in 50+ export markets and can leverage India’s defense export push. On the margin front, they have not given explicit guidance, but the implication is they will try to sustain EBITDA margins ~20% by product mix management – e.g. ensuring new businesses like fuzes (which likely have high margins) scale up.

Governance and Transparency:

Corporate governance seems standard: The Ministry of Corporate Affairs also approved the name change promptly in 2024.. One point to watch is succession planning – Dr. Prasad is in his late 70s; while he remains active, the company may need to empower the next generation of leadership (whether family or professional management) for the long term. Professional People are running the company and earning calls are taking place with transcripts - that can help bridge the information gap and attract institutional coverage.

In summary, HBL’s management has steered the company into a much stronger position through strategic focus and prudent financial management. Execution risks remain;

3. Competitive Analysis :

HBL operates in several niche markets, each with its own set of competitors. Below we compare HBL with key peers

in its major segments:

a. **Railway Safety (Kavach TCAS):** HBL is one of only three approved OEMs for the Kavach train protection system in India. Its primary competitor is [Kernex Microsystems](#), a smaller Hyderabad-based firm that also co-developed Kavach. Kernex recently won a ₹2,041 crore Kavach order underscoring the scale of opportunity. While Kernex is pure-play rail signaling, HBL has a broader base and much larger revenues (₹2,200+ crore vs Kernex’s ~₹50 crore annual revenue). This gives HBL better execution capacity and financial muscle. Another player is [Medha Servo Drives](#) (unlisted), known for locomotive electronics; Medha was involved in early trials and is approved for Kavach hardware, but being private its scale is less known. CG Power & Industrial (part of Murugappa Group) is also entering the fray – it won a ₹600 crore Kavach order in 2025. CG brings deep engineering resources and could be a strong competitor for future tenders. Notably, Kavach is not open to foreign OEMs (it’s indigenous), but if Indian Railways were to consider global tech like ETCS, giants like Siemens or Hitachi could indirectly compete. railway electronics.

Continued to page 5

For now, HBL's edge is that it was a pioneer in this field and has an end-to-end solution proven in Indian conditions. It likely enjoys a market share lead in current deployments. The risk here is if any new entrant (e.g. a well-funded newcomer like Quadrant Future Tek, which filed for IPO to focus on train sign gets approved and undercuts pricing. However, interoperability requirements make it hard for new designs to be introduced quickly.

Industrial & Telecom Batteries:

HBL's main competitors are established battery giants like Exide Industries and Amara Raja Batteries. Those companies dominate the automotive battery space and also supply industrial/UPS batteries. However, HBL has carved out leadership in specialized VRLA batteries for telecom and UPS. Today, as the market shifts to lithium, new competitors emerge: for instance, Relicell/Greenvision and Okaya in stationary lithium batteries, and foreign players providing lithium solutions to telecom towers. HBL's approach is to offer a technology-agnostic portfolio – lead-acid, pure-lead, Ni-Cd, and lithium – depending on application. It has an advantage in legacy segments (many telcos still use VRLA in rural sites) and in Ni-Cd batteries for rail and aviation where not many can meet the stringent specs. HBL competes on technology and niche focus. With the advent of lithium, a new competitor set includes global lithium battery integrators and some startups – however, since HBL is also moving into lithium assembly (and cell making) it aims to retain clients by being a one-stop battery provider.

Defense Equipment: In defense batteries, HBL faces limited

competition domestically. The Ministry of Defence typically qualifies multiple suppliers for critical items: for aerospace and missile batteries, often a defense PSU or unit of DRDO is the alternate source. For instance, Bharat Electronics (BEL) or the Ordnance Factory Board may produce certain thermal batteries under license. But HBL is acknowledged as the leading supplier in India for most defense battery needs. It also exports these batteries, competing globally with firms like Saft (France) or EaglePicher (USA) for niche orders – no Indian peer has HBL's export track record in this segment. In the new area of electronic fuzes, HBL is the first local provider. For communications and electronics on military platforms, competition includes BEL (for large integrated systems) and smaller specialized firms (e.g. Tonbo Imaging in electro-optics, in which HBL invested). HBL's advantage is its agility and willingness to tackle "small but tough" projects – e.g. BEL might not focus on a small batch of tank communication units, but HBL did and became sole supplier. HBL will need to leverage its first-mover status and continue innovation (e.g. next-gen fuzes or battery tech) to stay ahead.

Electric Drive Trains (EV Retrofit Kits): This is an emerging space with few established players. HBL's effort is among the earliest in India to focus on retrofitting existing trucks/buses to electric. Competitors here include some startups and EV component makers. Additionally, automotive OEMs themselves (Tata, Ashok Leyland) are introducing new electric trucks, which is an indirect competitive factor – if new EV trucks become affordable, the retrofit market could be limited. HBL's competitive edge is its integration capability across battery, motor, and controller and its focus on heavy vehicles where conversions can be economically justified. This segment is still in pilot phase.

To compare financials and strategies: HBL's diversified approach contrasts with peers who are more singularly focused. Thus, HBL often flies under the radar of giants by occupying niches. In those niches, it usually ranks #1 or #2. The competitive landscape overall is favorable for HBL as it stands – it has few direct competitors with similar breadth, but it must keep an eye on each segment's specific rival.

4. News Analysis (Last 2 Years)

An analysis of news and media coverage in the past two years reveals a generally positive but evolving sentiment towards HBL.

Major Order Announcements: As per media highlights HBL bagged major contracts in railway electronics from Central Railway, western/North-Central Railway totaling Kavach orders for the year reached ₹3,618 underlining the massive scale. Notably, after the June 2023 Odisha train accident, Kavach came under national spotlight. Business press reported HBL's stock hitting upper circuits as the Railway Minister vowed to accelerate ATP installation

Financial Performance and Outlook: News outlets have also reported HBL's surging profits – e.g. FY2024 net profit of ₹264 cr vs ₹95 cr prior (a nearly 3x jump) – attributing it to defense and electronics growth. However, when 2025 Q3's PAT down ~26% YoY, revenue down ~25% YoY due to high base effect and lumpiness in order flow and its execution. media commentary turned a bit cautious, mentioning that HBL was in a transition period awaiting new order. The Economic Times and Business Standard have published analyses framing HBL as a "turnaround growth story", citing its improving margins and debt-free status. HBL's FY26 earnings could spurt, and the question is purely about how fast it can capitalize on its opportunities.

The balance portion of the Investment note in the next month Newsletter (Part 4)

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