



DIGITIAN CAPITAL

Future focus



Digitian View

A monthly Investment outlook



FUTURE FOCUS

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“..It is a great opportunity to get access to the long term Investors' investment book with a research capsule, buy/hold/sell real time guidance, and get a return of 20%-60% in 6-12 months - this is the unique offer Surrogate Investor brings ”

Artificial Intelligence (AI) Hardware Trend - US Market(Part 3)

DIGITIAN VIEW!

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 :

AI Hardware

AI Hardware company made it possible for AI to be practically feasible through high computing capacity at lesser power requirement. We already discussed the topmost in the race NVDA. Lets see who else are in the race from the Hardware Side

Advanced Micro Device (AMD)

The next chip company which is effective in the GPU race is AMD. It was all along playing the second fiddle to Intel in the CPU regime but parallaly worked on GPU for games market. Unlike Intel who gave up the GPU journey by miscalculating

the time of AI. However, with \$278 billion market cap its not comparable with NVDA but if it can match the performance then price pointwise it will be attractive at the medium range. AMD approached AI through its full-stack approach combining CPUs, GPUs, and networking products. AMD's EPYC server processors power more than one-third of the world's fastest supercomputers and in the client segment, AMD achieved record desktop CPU sales, with Ryzen processors (30% of the market). AMD with its MI 350/355 series AI platform in competition to Blackwell Series of NVDA, already near 10% of the Market share.

AMD also came out with Helios rack-scale AI platform with 10x generational performance could be a disrupter at the high end. Its next generation MI400 series expected to launch in 2026, already caught

MARKET WATCH

Equity Indices	Monthly Close	Monthly Change %	2025%	2024%
S & P	6238	0.5%	6.1%	24.0%
Nasdaq	20650	1.4%	6.9%	30.8%
FTSE 100	9069	3.5%	11.0%	9.1%
Shanghai Compstie	3560	2.9%	6.2%	13.4%
NIFTY	24734	-3.1%	4.1%	10.1%
Nairobi SE 20	2559	4.9%	27.3%	33.3%
Egypt SE 30	34196	4.3%	15.0%	16.8%
Tanzania All Shares	2400	4.3%	12.1%	2.3%
Nigeria SE 30	5186	17.3%	36.0%	34.3%
Morrocco All Shares	19570	7.0%	32.5%	21.7%
Bangladesh DSE 30	2115	16.5%	9.0%	-7.3%

Commodity	Monthly Close	Monthly Change %	2025%	2024%
Gold	3400	1.5%	28.8%	27.4%
Crude Oil	69.67	4.2%	-2.9%	-4.8%
WTI Oil	67.33	3.3%	-9.5%	5.9%
Copper	4.44	-12.9%	10.4%	4.0%
Iron Ore	99.1	4.9%	-4.4%	-24.0%
Aluminium	2565	-1.8%	0.4%	10.5%

customers' interest and that of hyper scalers. AMD's **ROCm 7 software stack** delivers more than **3x higher inferencing and training performance** narrowing the gap with NVDA. Further, the AI accelerator market is projected to exceed \$500 billion by 2028. This offers huge scope to AMD. Sovereign AI initiatives are accelerating globally, AMD secured a multi-billion-dollar contract with **Humane** and more than 40 countries on **national computing infrastructure**.

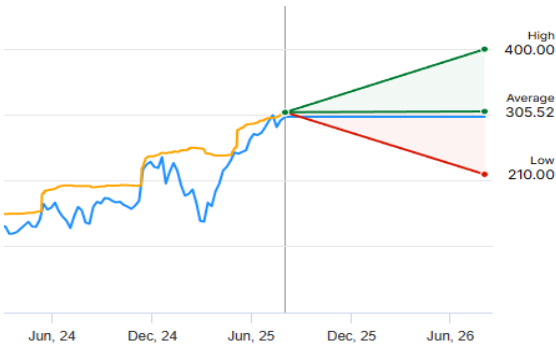
It is projected that AMD will grow its revenue @ 27% in the next 5 years. The main challenge is AMD's operating Margin is at only 12% in comparison to 56% of NVDA due to low pricing strategy as a second mover. Hopefully, with AI evolution it will be able to correct its OPM. The second is that AMD is in overbought position with 97x PE and 44x EV/EBIDTA but its 5 yr PE average is at 157x. **We value AMD at \$ 300 as 40x PE 2027 EPS of 7.49. However, Beta is 1.93 for AMD stock which shows high volatility.**



The other major Players in AI infrastructure space are **Broadcom, Micron, and TSMC**. I will just provide their brief introduction and our valuation. (*Subscribers can write to us for full report*).

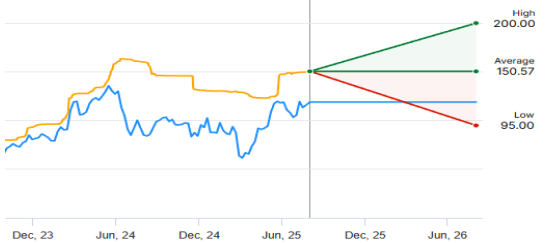
Broadcom (AVGO): Market cap: \$1.4 trillion. A leading semiconductor and infrastructure software solutions for data centers, networking, broadband, wireless, and storage applications globally.

Its revenue grew 20% YoY while AI semiconductor revenue wits Custom AI Chips (XPU) grew 46% YoY. The Infrastructure Software segment, bolstered by the successful acquisition of VMware, grew 25% YoY. Its Gross margin is 79% better than NVDA's 71% and its operating margin is 59%. It is projected to grow its EPS @ 26% pa for the next 5 years. Although it is also in the overbought position with 109.7x (5 year Average PE of 48.68x) and EV/EBIDTA of 48.5x. **We value the AVGO stock at \$ 470 as 45x PE 2027 EPS of \$10.45.**



Micron (MU) : Market Cap of \$ 132 bil

MU is a global leader in the semiconductor industry, specializing in DRAM and NAND storage solutions for various sectors including chipmakers. For AI revolution, it came out with its High Bandwidth Memory (HBM) product and supplying to all chip makers NVDA, AMD, AVGO, TSMC, hyperscale's, Data centers, mobile manufacturers. The Revenue is growing at 37% YoY. It is projected that EPS will grow @ 60% pa for the next 5 years due to low EPS in 2024. Gross Margin is around 37%. The current PE is at 21x (5 year avgat 27x) and EV/EBIDTA at 8.7x **We Value MU at \$256 18x PE at 2027 EPS of \$14.26.** Beware of the cyclical nature of memory market could lead to volatility.



COUNTRY DATA

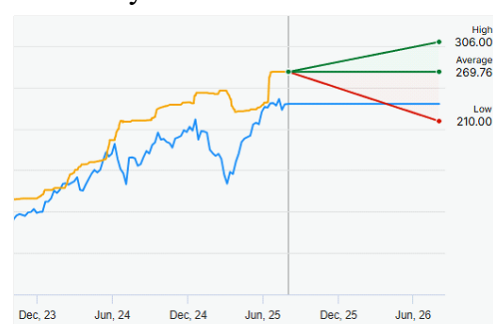
Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2025p %	Inflation 2025p %
USA	30500	57500	1.5%	3.00%
China	19230	14000	5.2%	0.10%
India	4190	5300	6.8%	4.2%
Egypt	389	45	4.4%	18.00%
Kenya	132	16	5.4%	5.0%
Tanzania	89.04	7	6.0%	3.5%
Morocco	166	87	4.0%	2.30%
Nigeria	193	52	4.00%	19.0%
Bangladesh	472	115	3.9%	10.20%

Forex	Monthly Close	Monthly Change %	2025%	2024%
EUR USD	1.158	-1.8%	11.7%	-4.9%
GBP USD	1.328	-3.5%	6.1%	-0.9%
USD INR	87.20	-1.9%	-1.6%	-3.0%
USD KES	129.20	0.0%	-0.1%	17.9%
USD EG POUND	48.67	1.7%	4.5%	-64.4%
USD TZS	2540.00	3.2%	-3.7%	2.8%
USD NAIRA	1532.00	0.2%	0.5%	-73.7%
USD TAKA	122.25	0.4%	-2.3%	-8.6%



Taiwan Semiconductor Manufacturing (TSM) Market Cap: \$ 983 billion

TSM is the world's largest contract chipmaker with advanced manufacturing capabilities (in 3nm and 5nm wafer technology) that are crucial for AI and high-performance computing applications (automotive and IOT semiconductors). TSM's capacity is overbooked by NVDA, AMD, Broadcom Apple, Google etc. Opening a US manufacturing Hub for taking benefit of Chips Act and Tariff effect at \$100 billion may take care of the headwinds. Probably could takeover Intel Chip foundry which will increase the capacity. **Gross Margin at 57%, PE is at 21x (10 years average at 21.15x) and EV/EBIDTA at 12 x.** Revenue growing at **35% CAGR** and the EPS will grow @ **21% CAGR** for next 5 years. **We Value TSM at \$338 at 23.5x PE at 2027 EPS of \$14.39.** It could be lower due to China -Taiwan relations and threat to stability.



Microsoft (MSFT) : Market Cap: \$ 3.77 Trillion

Microsoft is a global technology giant in a wide area software, services, devices, and solutions worldwide. Microsoft is a AI developer, AI Hardware player as well as AI Hyperscalers. Since it is more linked Hardware and software, I discussed it in this segment.

Microsoft has achieved remarkable financial performance in recent quarters, with **Azure cloud services, End Point Security services and AI investments** driving robust growth over the last 4 years. Under their Visionary CEO **Satya Nadela**, Microsoft segmented their vast area of business under **three Broad Verticals** : a) **Productivity and business Processes** (Microsoft Office suite, Dynamics Business solutions , LinkedIn, Github for developers and Security Service solution) b) **Intelligent Cloud** (Azure cloud, Windows server, SQL Server and related services, Defender End Point security cloud based) and C) **Personal Computing** (Windows operating system, Devices [Surface line], Gaming (Xbox and related Content), Search and news Advertising). MSFT introduced its flagship **Copilot generative AI version** in all its products across these verticals. Other than this also has **Dynamics 365 AI, Azure AI** (encompassing Azure Open AI, Azure Machine Learning and And Azure Cognitive. They have made good stride with their **investment in Open AI (Chat GPT).**

The great news is all the verticals are having **almost equal share of Total revenue.** This shows the power of new products and services which caught up with legacy revenue base.

Microsoft Azure was a distant third in cloud computing 5 years back and in 2025 they almost **caught up with AWS of Amazon** with \$25.5 billion in Q2'25.

Tail winds:

Industry-leading **cloud infrastructure** with over **400 data centers across 70** regions, more than any other cloud provider. **2-Gigawatt capacity** Added in the last 12 months.

Microsoft Fabric(for advanced data analytics and business intelligence) is up for significant growth.

Expansion of **Microsoft's cyber security** offerings for AI related data security

Growth in the gaming sector through **Game Pass subscriptions, and cloud gaming,**

LinkedIn's 1.2 billion members for B2B services and professional development offerings(**monetizing not yet started fully**).

Long-term potential in **quantum computing.**

Financial Performance and Outlook:

Despite trading at premium valuations (P/E ratio of **37.05**, significantly above industry avg and its own **10 year avg of 31.41**), and **EV/EBIDTA at 24x** the behemoth is growing **Revenue @15% YoY** and **Operating Income @ 17% YoY.** The Gross Margin is at **69%** and the **EPS will grow @15% pa for the next 5 years**

We Value MSFT at \$750 at 35x PE at 2027 EPS of \$21.4, so from the present CMP of \$506, the runway is most assured for the next 2 years.



The 5 Stocks I mentioned will provide enough opportunities to grow investment @ **20-25% per annum** for the next 2 years.

I will discuss **AI hyper scalers in the next newsletter: Google, Amazon, Meta and Alibaba.**

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Debashish



Saugata

Recommendation by	Name of the Company	Date of Purchase	Entry Price	Actual Gain Published in July 2024	Actual Gain Published in Dec 2024	Actual Gain Published in June 2025
Debashish	NGL Fine Chem	13-Mar-20	302	730%	581%	372%
Debashish	Tata Elxsi	27-Apr-20	790	831%	841%	703%
Debashish	RACL Geartech	4-Aug-20	65	1805%	1298%	1354%
Debashish	Arman Financial	8-Feb-17	243	840%	475%	507%
Saugata	Shivalik Bimetal*	5-Feb-21	69	901%	809%	770%
Saugata	Newgen Software@	7-Apr-20	116	898%	1374%	909%
Saugata	Indian Bank	11-Jan-21	87	586%	595%	647%
Saugata	Glenmark Pharma	31-Jan-23	371	Not in Top 4	347%	488%

* Shivalik 50% sold @ Newgen 75% 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 4)

Editor Note : When we posted HBL to be a multi-bagger in February 2025 it was at ₹ 424.40 after 5 months it is at ₹ 852 already doubled. Watch this journey real time how a stock become multi bagger.

This is a great opportunity for our readers to follow real time a multi bagger stock. Now read Part 4 of the investment note

5.Valuation Analysis & Investment Perspective :

HBL Engineering's stock has re-rated significantly in the past two years. Here we analyze its valuation multiples and how they stack up versus history and peers:

Current Valuation: As of Feb 2025, HBL's market capitalization is around ₹11,760 crore, with the stock trading near ₹425 per share (~₹80 two years ago). Its **TTM P/E ratio is ~37-38x** (above its industry P/E of 30.1x), the **P/B ratio is ~9.9x**, given a BVPS of ₹49. **EV/EBITDA** roughly in the **mid-30s**. These multiples are certainly higher than HBL's historical averages but that what happened when we are in growth trajectory as discussed in three parts earlier.

Peer Comparison: Direct peers are hard to find due to HBL's unique mix. **Battery peers: Exide Industries** (₹~15,000cr sales) trades ~25x earnings and ~3x book;

Amara Raja (₹~8,000cr sales) about 18x earnings. Those are slower-growing, more commoditized businesses (5-10% growth, ~15% ROE) – HBL demands a premium because it's growing faster with a much smaller base (5-year PAT CAGR >60%) and has 20%+ ROE.

Defense/ Electronics peers:

Bharat Electronics (BEL, PSU) trades ~30x P/E with similar ROE in 20-25% range; mid-cap defense electronics like **Data Patterns or MTAR** trade at 50-70x but their growth rate is very high and market caps smaller.

Rail peers: Kernex (which is just turning profitable) cannot be valued on P/E; it trades on future potential (P/S > 15x currently).

If we consider **sum-of-parts valuation**, one might assign distinct multiples: the **stable battery segment** (60% of rev) could be valued at maybe **20-25x** (like other battery firms), while the **high-growth electronics segment** (40% rev with higher gross margin) could be valued at **40-50x**. **Weighted, that could justify a P/E in the 30s. At ~38x, HBL isn't cheap – it's somewhat pricing in 1-2 years of growth already.** However, as long **Forward PE 2027 is at 30x** it will be fine.

Thus, the market is anticipating future earnings – **a common scenario for companies at an inflection point.** One can say the valuation reflects future growth and somewhat ignores near-term lumps (like flat FY25).

The key question: **is this optimism justified or stretched?**

Does Valuation Reflect Growth & Risks? At 38x-43x, the stock likely prices in a scenario where HBL delivers on the big railway contracts and sees multi-year growth, while maintaining high margins. It may not leave much margin of safety if things hit a snag. Conversely, if earnings **double by FY27** (which is plausible given the **order book of 3763 crores in Kavach** and defence products), today's price could end up looking inexpensive (would translate to **<20x FY27 earnings**). So **the valuation is a bet on execution.** Overall, it's fair to say **HBL is not a value stock, but a growth stock** – current valuation is fair-to-expensive for an average 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.

Analyst Targets and Market Sentiment: Coverage is still limited among major brokerages, HDFC securities coverage in 2022 had a buy rating but that price was long crossed. As per market scuttlebutt, some analysts now

advise a **“Hold”** at current levels, citing that most near-term positives are priced in and one should await dips or more clarity on execution

However, there is also a cohort of disciplined investors like us holding HBL for the long term, who argue that given its **high ROCE and growth, a PEG (P/E to growth) ratio below 1 makes it still attractive (if one assumes 40%+ earnings CAGR)**

HBL should be valued like a **technology company** more than a **manufacturing** one, indicating investors see it as an **IP-driven firm with strong moat**.

6. Conclusion & Investment Rationale

Investment Thesis: HBL Engineering presents a **compelling growth story** at the intersection of India’s defense, and railway infrastructure boom. The company has evolved into a multi-vertical niche leader with **strong competitive moats and a robust financial footing**. Looking ahead, the investment case for HBL can be summarized as **“cautious optimism.”**

On one hand, the company has clear catalysts for value creation:

Execution of Large Orders: The huge railway Kavach orders (₹3,700 + crore in hand) are slated to be executed over the next 2-3 years. As revenue from these flows in, we should see a step-change in **HBL’s earnings (FY2025–27 could witness a CAGR of 40%)**.

Successful delivery will not only bring revenue but potentially lead to follow-on orders – Indian Railways may tender even more, plus scope for annual maintenance contracts to

add recurring income.

Defense Indigenization Momentum: With HBL now qualified for critical defense supplies (**batteries, fuzes, electronics**), any uptick in defense capital orders or exports can act as a trigger. For instance, a bulk order for electronic fuses, upcoming submarine projects or missile programs can bring in revenue growth and upside.

Improving Fundamentals: The company is **debt-free, cash-generative, and has high return ratios**, which means growth can be funded internally. This also provides a **margin of safety** in the event if growth slows, HBL is unlikely to face financial distress.

Opportunities: HBL’s foray into **electric drive trains** is a longer-term upside option. If it gains traction (e.g. a scheme to retrofit state transport buses to EV is launched), it could open a new revenue stream that the market currently assigns little value to. Likewise, any **breakthrough on in-house lithium battery cell production**, if achieved, would be a game-changer given the massive demand for lithium cells in India. **Export orders for TCAS** from foreign countries would boost sentiment

Upcoming Events to Watch:

The next few earnings releases (**Q1 and Q2 FY26**) will be important to gauge the trajectory – these will likely show the initial revenue from new orders. The FY2025 Annual Report (expected around Aug/Sep 2025) should provide updates on the strategic projects (**lithium cell plant, EV kits progress**) – any concrete progress reported there could affect the outlook. Another event is the potential IPO of **Quadrant Future Tek** (a TCAS company); if that happens in 2025, it will provide valuation markers for this segment and could cause some rotation of investment.

Main Risks:

Execution risks linked with execution of orders at various locations/authority across Indian Railway network within a given tight time frame.

Concentration Risk associated with its order book from two departments of Government - Railway and Defense - both highly politicized and subject to change or slowed.

Margin of Safety: At the current valuation, the margin of safety is moderate. This is a growth play where the “margin of safety” comes from the company’s strong balance sheet and diversified model. In other words, the downside (say growth halts or execution delays) might be cushioned by HBL’s solid financial health and multiple business lines. The ongoing need for industrial batteries means a baseline business will likely persist even in worst-case. Further, how big the **annual maintenance revenues** from Kavach are not yet priced in.

Final View: For an investor with a 3-5 years of horizon, HBL Engineering can be considered a **“Buy” for Growth** – accumulate on dips, with the expectation that the company’s earnings will grow into and beyond the current valuation at least during FY 2026. The rationale is that few companies of HBL’s size offer exposure to such high-potential sectors (**rail safety, defense electronics, EV power**) with a proven execution capability. The next couple of years will likely see HBL transition into a much larger entity, if things go right. Nevertheless, due to the lofty current multiples, one should be **prepared for stock volatility**.

In summary, HBL Engineering is a promising growth stock with strong fundamentals, and while it commands a rich valuation, its unique positioning and multi-year growth drivers make it a worthy consideration for investors looking to participate in India’s defense and infrastructure up-cycle. (END)

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