Twitter Thread by Amit Mantri



Amit Mantri
@amitmantri

Bull markets are a great time for fraudster promoters to make money. If you are a fraudster and also want to benefit from this bull market, here's a thread that explains how you can defraud shareholders and get rich.

1. Have a good story to catch investor's attention. Something like "only listed XYZ company" will help. Has zero value in terms of improving long-term cash flows of the business but is excellent branding for a stock. Change the name of the company to what's booming in the market

2. Draw analogies to D-Mart or other businesses that investors love (next Page Industries maybe?). Doesn't matter if your business is nothing like the ones you are comparing it with.

3. Give aggressive guidance. 15% growth is pedestrian. Talk stuff like 1 lakh cr sales/loan book or 50% growth for next 10 years. Your stock should be a potential multi-multi-bagger. Claim that there is no limit to how large you can be.

4. Start making up the numbers. Only Revenue and PAT matters. So don't worry if the Balance Sheet has all sorts of large unexplained scary stuff. No one looks at the BS in a bull market.

5. Raise large amounts of debt from PSU Banks to fund fictitious capex. Will be easy as they only focus on Revenue and PAT. If needed give a cut of the loan as "commission" to the bankers.

6. Gold plate the capex to siphon out funds. Pay salaries and other operating expenses using siphoned cash resulting in even higher profits and market cap. No one questions absurdly low salaries or purchase of computers worth 20 lakhs per employee.

7. Have more than a 1000 subsidiaries, associates, joint ventures and related entities. The main auditor shouldn't audit many of them and must rely on your estimates so you have room to make up stuff. No analyst should be able to make sense of the money trail.

8. Also, don't worry if you have almost zero on-ground sales or operations. No one will check. Even the outlets you mention in the investor presentation don't really have to exist. Just don't do the mistake of providing store location links on Google Maps or your website.

9. When asked about lack of real-world presence, say analysts (a) don't understand our biz (b) are not looking at right place (c) are jealous of our success (d) want our stock to fall so they can buy (e) are shorting our stock and spreading misinformation

10. Start advertising on CNBC and Economic Times. Why? Because your audience is the investor community. Doesn't matter if actual consumers have never heard of your products, the investors should hear about it every week.

11. Raise large rounds of equity to fund your 50% growth rate. This will be taken as a huge positive. Now you are again cheap on a post-money P/B basis! It's a bull market so everyone has forgotten that good businesses don't really require a lot of capital.

12. Publish fancy quarterly investor presentations, glossy annual reports with language that would wow even Shashi Tharoor, hold con-calls after every good quarter reiterating aggressive guidance.

13. Participate in every investor conference out there. Tell investors how undervalued your stock is and how you will continue to "surprise" positively.

14. Buy few shares of your own company. Investors will take your buying as a sure sign of a booming business. Doesn't matter if other related parties are selling. Follow the PP Waterballs playbook - https://t.co/5X4Zb96pxn

15. "Reward" shareholders with stuff like bonuses and stock split. Occasionally also announce a dividend or buyback. The biz doesn't generate any cash flow so use debt and equity raised to fund the dividends.

16. Announce de-merger of a part of the biz. Nothing creates as much value as a de-merger even if it makes no logical sense. Promise other value-unlocking measures.

17. Once stock has hit the roof, start selling your shares (directly or indirectly). Say the selling is for charity purposes or buying property or starting another venture about which you are passionate (like airlines or organic farming).

18. Pledge your stock as much as you can. Spread rumour that you are pledging stock to buy your own stock which will again be taken as a +ve.

19. Once you have squeezed out every rupee from debt and equity holders, it is time to shut shop. Report a big loss or even better just stop reporting the results. Blame lack of quorum for inability to hold results board meeting.

20. Pledges will be invoked, stock will crash. Announce that you are facing temporary cash flow problems which will be quickly resolved. Of course, they will never be resolved. After few weeks of panic, yelling, and abuse, investors will forget your company ever existed.

21. Wait for the next bull market. Repeat from 1.

(END)