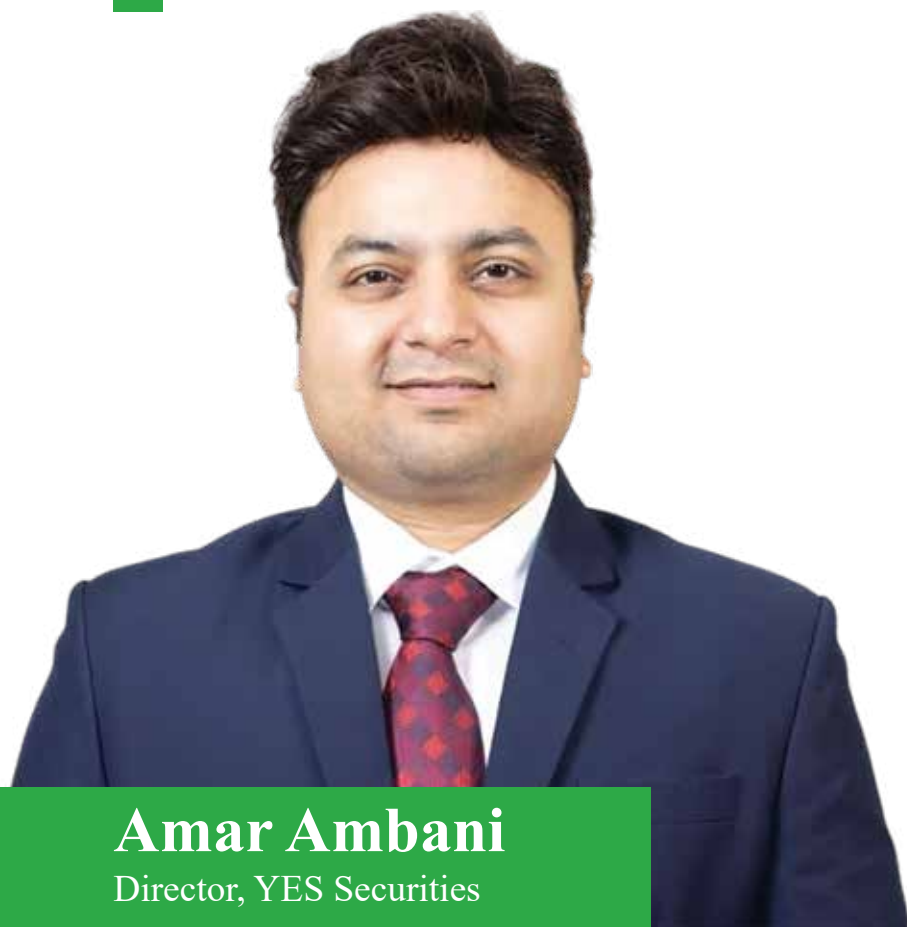


MONEY, MARKETS, MINDSET and METHOD



Amar Ambani
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His public commentary covers the whole range of an investor's concerns. His recent media columns have examined the debt-funded AI capex cycle among the largest technology companies, the launch of Electronic Gold Receipts on the NSE, the RBI's FCNR(B) swap window, and the cultural roots of India's low retail credit penetration. His guide to decoding financial statements, built on the maxim that profit is an opinion while cash is a fact, hands retail investors a ready to deploy checklist.

Two towering convictions are evident in his market approach and action. The first is that structural trends and cyclical risks must be weighed together. The second is that asset allocation and discipline matter more than timing. He calls the AI megatrend a multi-decade super-cycle, yet urges investors to prepare for the inherent volatility.

In this conversation with CMA Sudhir Raikar, he touches upon key issues pertaining to the economy, markets, listed companies, and the management of personal wealth.

Amar Ambani is Executive Director at YES Securities, the broking and institutional equities arm of YES Bank, a position to which he was elevated in November 2023. He joined the firm in November 2018 as President and Head of Research, after fifteen years at IIFL, where as Partner and Head of Research he helped shape the research strategy and the investment products built on it. An MBA in Finance by qualification, he is revered for his actionable insights on market investments, which put a premium on patience and prudence and leave no room whatsoever for hype rooted in noise.

Investors love a strong structural story. Does that protect them from a bad year in the market?

No. Markets do not move in straight lines; they move in cycles within broader trends. The bigger and more legitimate the structural uptrend, the sharper and more painful the cyclical drawdowns within it. The internet transformed civilisation, yet the Nasdaq fell 80 percent from peak to trough between 2000 and 2002. Renewable energy is humanity's energy future, yet clean energy stocks have suffered multiple brutal corrections during the transition. The structural story can be authentic but the price action can still prove devastating for those positioned without adequate risk management. The long term almost always proves rewarding provided your conviction in the future value proposition is unflinching.

Every year, retail investors watch a dream stock collapse. Satyam, DHFL, IL&FS, Zee...the list goes on. Could they have seen it coming?

The warning signs sat inside the financial statements long before the price cracked. Satyam looked like a blue-chip IT bellwether until its chairman admitted to inflating cash balances by over ₹7,000 crore. DHFL and IL&FS carried investment-grade ratings almost until the day they defaulted. The Zee debacle is a caution on promoter leverage. Selling shares or leaving the board doesn't cancel a personal guarantee. So promoters shouldn't mortgage future ownership to fund present ambition, and investors should check the publicly disclosed share pledges before buying a company's growth story.

First and foremost, one should study the cash flow. Compare operating cash flow with net income over three to five years. A ratio comfortably above 1.0 suggests earnings are backed by real cash; one that repeatedly falls below 0.8 while profit rises deserves a hard look at how revenue is being recognised. Then check receivables and inventory against sales growth, read the auditor's report before the price chart, and



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watch promoter pledges in the shareholding pattern. A company that dismisses its auditor is far less alarming than one whose auditor walks away first.

Is there one red flag that settles it?

No, and that is the trap. Not even the Beneish M-Score that forensic accountants use is meant to work alone. These ratios are built as a system of cross-checks. When three or more turn unfavourable in the same reporting period, treat it as a cluster of risk, not a coincidence. Do not skip the notes to accounts; contingent

liabilities, related party dealings and the breakup of exceptional items live there. Do not let a credit rating replace your own homework. And never dismiss late filings or postponed board meetings as technicalities. They are usually the visible tip of a larger problem.

Should a falling share price be the cue to check fundamentals?

The habit that protects capital is reading the quarterly results and the annual report as they are published, not reacting after the price has already told you something is wrong. But if stock price is falling and isn't a result of overall market fall or sector sentiment, then it does warrant a deeper probe.

A company reports rising profits, and yet the business can be far from healthy. That's possible, right?

Absolutely. A rising profit number printed in isolation tells you very little. Ask what is driving it: operating performance, or a one-off gain from selling an asset, a tax credit or a change in an accounting estimate? Recurring "other income" that climbs as a share of revenue is a common way to dress up a weak core business. Be wary of a company that changes its depreciation, revenue recognition or inventory valuation method more than once every few years without a clear reason. Each change looks minor, but the cumulative effect flatters the numbers. In banks and NBFCs, look past headline profit to the trend in

gross and net NPAs, provision coverage and capital adequacy, because asset quality problems surface in the books only after they have built up.

You are bullish on equities, but you caution retail investors against going all in...

Some savvy experts leverage and even put 110 percent into equities, but asset allocation is the best approach for most investors. Historically, about 90 percent of the money made in stock markets has been a function of asset allocation. The other 10 percent is timing, entry and exit, and the odd multibagger. So assess your goal, your risk appetite and your financial capacity, and decide whether you are conservative, balanced or aggressive. A balanced investor at 50 percent equity may tactically go to 55 or 60 when the outlook is strong. An aggressive one at 70 may go to 85. Never 100.

How long should the money stay put?

Think in years and decades, not months. I am always in favour of investing rather than trading, on a horizon of at least 4 years and never less than six months. If a correction hits, or the market consolidates, a short horizon leaves you with no gains. And if you need the money next year, you are forced to sell prematurely. Also work out what you can hold within equity. Do you lose sleep over your smallcaps, or relish the ride? If it is the former, a diversified fund, an MF scheme or a PMS is a better route than putting all eggs in one basket.

Why do you find NSE's Electronic Gold Receipts a prudent move?

Consider the pile: Indian households sit on 34,600 tonnes of gold, which is 88.8 percent of GDP and 3.1 times the value of all the equities we own. Think of an EGR as a share representing real gold in a SEBI-accredited vault. You buy it in your demat account, sell it like a stock, and can take physical delivery

if you wish. It fills real gaps. Physical gold came with locker dues, making charges and purity doubts. ETFs never convert into actual gold. Sovereign Gold Bonds have quietly stopped. EGRs bring exchange-grade pricing, transparent settlement, no GST until physical delivery and one nation, one price. It could bring roughly \$3.8 trillion of household gold closer to the formal financial system, and it rhymes with the PM's recent appeal to defer gold purchases for a year. Liquidity will not appear overnight and vaulting charges deserve a close check, but the direction is spot on.

India's retail credit-to-GDP ratio is 18 percent. Germany is at 49, China 58, Japan 61, the UK 74. Is that not a giant runway for lenders?

On paper, yes. In practice, credit is as much a cultural variable as an economic one. For generations we have saved first and spent later. "Don't borrow unless you have to" is a cardinal family principle. Our parents taught us to buy a house with savings and steer clear of EMIs, and that mindset will not vanish overnight. Indians are certainly getting more comfortable with responsible borrowing, as home loans, vehicle loans, education loans and credit cards show. But DNA-wise we are a less leveraged society,

so the catch-up will take decades, not years. And that is not a bad thing, is it?

The RBI's special swap window pulled in enormous NRI money this year. What does that tell you?

That trust is India's trump card. In 2013, amid taper

tantrums and a weak rupee, the RBI opened a special FCNR(B) swap window and around \$26 billion came in. This June it introduced another special USD-INR swap facility, and the response was extraordinary. By August 31, total foreign-currency mobilisation had reached \$136.4 billion, of which \$127.2 billion came through FCNR(B) deposits. The last 10 days alone



brought in more than \$63 billion, and the RBI closed the window a month ahead of schedule. The diaspora is a global reservoir of capital, wealth and confidence in India, not merely a source of remittance. NRIs got reduced currency risk, banks got foreign-currency funding, and the RBI strengthened external liquidity. At times the world may lose confidence in emerging market currencies. Indians around the world back India across seasons, for the right reasons.

Every investor gets tips on social media and SMS. What should a retail investor do with them?

Never let a tip substitute for reading the company's own quarterly results and annual report. A significant share of retail losses comes not from company fraud but from tips circulated through social media, SMS or unregistered advisors promising guaranteed returns. Verify SEBI registration. And diversify even when a company looks clean. No checklist catches every fraud, and concentrating a large share of your portfolio in one stock, however well it screens, magnifies the damage if something was missed. Spreading exposure across sectors and market caps is the most reliable insurance against the red flag you did not see.

Alphabet raised \$20 billion in its largest-ever dollar bond sale and is eyeing century bonds. Why should an AI believer care?

Simply because Big Tech has changed its habits. After decades as cash-rich net savers, these companies are now leveraging their balance sheets. The four largest US tech companies are projected to spend about \$650 billion on capex in 2026 alone, and more of it is being financed through credit markets than through operating cash flow. That looks more like an arms race than a measured build-out. Sample the late 1990s internet boom and the mid-2000s housing boom: credit markets reflected the stress long before equity markets acknowledged the risks. Excitement creates compelling narratives. Credit creates cycles that amplify both the upside and the downside.

But surely, investors should not steer clear of AI. Should they?

Not at all. Being watchful is not being bearish on AI. This radical tech will reshape productivity, profit

margins and business models for decades, and its fundamental promise is intact and compelling. But innovation and speculation often travel together and do not always arrive at the same destination at the same time. This does not feel like a late-cycle blow-off top where everyone is all in. It feels early, which is precisely why it deserves scrutiny. Prepare mentally and strategically for volatility inside what is likely a multi-decade AI super-cycle, resist extrapolating recent price action, and ask whether valuations reflect the execution risks, capital intensity and time horizons of monetising AI infrastructure. The seemingly sweet spot is a vulnerable spot.

As an aside, there's a lot of anxiety about AI, jobs and Gen Z. How does one keep calm amid the chaos?

I attended a bhajan clubbing evening at my wife's insistence, expecting little, and it was as much fun as it was spiritually enriching. Gen Z, millennials, parents and families were under one roof, singing and dancing, and a whole ecosystem of musicians, event managers and flower suppliers thrived around it. If the generation built on smartphones and AI is rediscovering community, culture, music and family, perhaps the future is not as stomach-churning as we imagine. The antidote can be different for different people: whether meditation at home, bhajan at a gathering, an escapade in the mountains, or a vacation by the beach. The fact is the same: a little bit of introspection and reflection in quiet moments helps one recharge batteries and reimagine life to reclaim the passion and purpose that define it for you.

If a retail investor were to internalise one mantra from this Q&A, what should it be?

That none of this needs a finance degree. It needs consistency and patience. Markets reward patience and discipline far more reliably than they reward speed and swag. But do not let discipline crush imagination. I often go back to a line from John Harris of Ruane, Cunniff and Goldfarb: we do a better job at guessing what could go wrong than what could go right. Imagining the possibilities beats being gripped by fear. **MA**

Happy investing!