

CONSERVATIVE OPTION COURSE

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How to Make Crores from the Stock Market

Stock market investors in India and around the world want to make a lot of money by investing. That is the sole reason they invest. Else there is no reason to take a risk. Most of us want to make one crore or millions of dollars from the stock markets.

Well, the good news is it is not that difficult to make one crore. You can make crores. The bad news is **you are the biggest enemy of your investing. Our self-destructive speculative trading and the mindset to get rich quickly from the stock markets is the biggest obstacle to making crores** from the stock markets.

Another problem is that investors do not diversify their portfolios. When I talk with traders who [lost 2 crores](#) or [even lakhs](#), I found out that the **real problem is greed & ego**. The feeling that “**I can do no wrong with my investments**” and “**the markets will favour me**” is a grave mistake of investment. Why should the markets favour you? Because you want to get rich quickly? Is that a valid reason?

However, if you trade cautiously, take calculated risks and trade very conservatively, you can accumulate huge wealth over the years trading the stock markets. **Mind it we are talking about accumulating wealth over the years and NOT days or months.** This is possible only through conservative trading and NOT aggressive trading. You may want to check out [my conservative options](#)

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[trading course](#) where you can learn such strategies to make money slowly but consistently in the stock markets. It is [doing good for a lot of traders](#) all over India.

A few days back I got another dreaded email: (Sender's name withheld for privacy. Edited for grammar and spelling.)

*I am a heavy loser in the share market. In the last 25 years, I lost about ₹ 25 lakhs. I lost a huge amount at the time of the Harshad Mehata scam. After every three-four year's gap, I collected two or three lakhs from my very hard-earned money and lost in the share market **in hope that one day I will be a winner. Maybe this was due to my ego that one day I will be a good trader.** I want to take one more last chance, with the rest of my remaining capital of 1 lakh.*

*Which software will be required for me to achieve the above target? Do you know any good tip provider to fulfil my requirements? I can't lose more than 10% of my capital, and when I lose 10% I will quit the market. **I have also spent a lot of money on a lot of trading software and tips provide***

Is there any kind of hope for my kind of student?

The first thought that came to my mind was there is no hope for this kind of trader because even after losing for 25 years, he just wants software or a tip provider to help him make money. He does not want to learn anything. If you cannot help yourself how you can expect software or a tip provider to help you?

What a waste. No, I am not talking about money, but TIME. **₹ 25 lakhs are NOT in any way bigger than 25 year** When I asked this trader what have you learned in his 25 years of trading, the answer was shocking. He went silent. This means he learned nothing in the last 25 year This is sad. If you are passionate about something – go into details to learn about it.

The last thing you should do is keep trying the same thing again and again without any research or knowledge. **If you do the same mistake every time, how can you expect a different result every time?**

How many of you reading this are doing the [same investing mistake again and again](#) thinking that this time the outcome will be different? **I bet if you haven't learned anything and are still speculating, you will get the same result every time you trade.** You will waste time and money. After years you will feel guilty about what you did with your money. Please don't let that happen to you.

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When I asked him why he kept repeating the same mistake, he said he feels sad about it now. He said he wanted to get rich fast and kept trying the same thing. He also hinted in his email that it got into his ego to beat the markets. **Well, emotions don't work in stock markets. They do not know you.** I then told him he could be worth 500+ crores today – **repeat 500+ crores of rupees** – had he not done those mistakes with a only paltry investment of a few thousand rupees 25 years back. He was shocked. He asked me how. I know you also want to know how?

Let us discuss this.

Imagine a stock investor bought 1000 shares of ITC Ltd. at ₹ 10/- in 1975. Total investment amount = $1000 * 10 = ₹ 10,000/-$. He met with an accident and went into a coma.

Agreed this is a very unlikely situation, but for now, let's believe it. Please note that ₹10,000 is NOT a very big investment even in the year 1975. Calculated at a 9% inflation rate, at today's value it is equivalent to ₹ 314,094.20. If 3 lakh is not a very big amount today, 10,000 would also be not that huge 40 years back, but still significant.

Let's get started. The investor is in a coma and this is what happens when he is sleeping:

1975 – Bought 1000 Shares of ITC Ltd. at ₹ 10 per share. Total investment amount ₹ 10,000.00.

1978 – ITC issues share bonus 1:5. Current shares: $1000 * 5 = 5,000$.

1980 – ITC issues share bonus 1:5. Current shares: $5000 * 5 = 25,000$.

1989 – ITC issues share bonus 1:1. Current shares: $25000 * 2 = 50,000$.

1991 – ITC issues share bonus 2:5. Current shares $(50000 * 5) / 2 = 1,25,000$.

1994 – ITC issues share bonus 1:1. Current shares: $125000 * 2 = 2,50,000$.

2005 – ITC issues share bonus 1:2. Current shares: $250000 * 3 = 7,50,000$.

2005 – ITC declares share split 1:10. Current shares: $750000 * 10 = 75,00,000$.

2010 – ITC issues share bonus 1:1. Current shares: $7500000 * 2 = 1,50,00,000$.

1000 shares convert to 1.5 crore shares.

Let's assume the investor got cured of the coma and was perfectly OK by 2015 and suddenly realized he had invested ₹10,000.00 in ITC in 1975.

He calls his broker and asked him to sell all shares in his account. ITC shares reached 390 in 2015. $390 * 1,50,00,000 = 585$ crores. Assuming that more than 215 crores dividend was also given.

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Total made = 585 + 215 = 800+ crores on an investment of just ₹10,000 pre-tax. Since every year the rules of tax are changing I am not writing it here. But even if we take out 200 crores as taxes – the investor is still left with a huge chunk of ₹600+ crores. This post-tax white money is significant to change the life of the generations to come.

Compare this to a bank Fixed Deposit: An investment of ₹ 10,000.00 in 1975 re-invested with interest as soon as it got matured every year for 40 years today would be worth only ₹3,14,094.20. A little more than 3 lakh rupees. I have not even deducted taxes. A fixed deposit in the bank of any amount for any period is taxed. So the investor will be left with less than ₹3,00,000.00 (3 lakhs). **Poor returns.**

That does not mean you should never invest your money in fixed returns. Some money should go to very secured financial instruments, just for diversification of portfolio. **Stock markets are volatile – you may need some money very soon – this should be in fixed-income instruments.** [Click here to read how I diversify my portfolio](#). If you are young, most of your savings should be invested in stocks of good companies.

Another example:

Had your relative invested in 100 shares of WIPRO at a price of ₹100/- per share in 1980 and forgotten about it – this is what would have happened to his account. (Note that, unlike ITC shares, WIPRO shares are being bought at a premium.)

Total investment: $100 * 100 = ₹ 10,000.00$

1981 – WIPRO declares bonus 1:1 = $100 * 2 = 200$ Shares
1985 – WIPRO declares bonus 1:1 = $200 * 2 = 400$ Shares
1986 – WIPRO declares split 1:10 = $400 * 10 = 4000$ Shares
1987 – WIPRO declares bonus 1:1 = $4000 * 2 = 8000$ Shares
1989 – WIPRO declares bonus 1:1 = $8000 * 2 = 16000$ Shares
1992 – WIPRO declares bonus 1:1 = $16000 * 2 = 32000$ Shares
1995 – WIPRO declares bonus 1:1 = $32000 * 2 = 64000$ Shares
1997 – WIPRO declares bonus 2:1 = $64000 * 3 = 192000$ Shares
1999 – WIPRO declares split 1:5 = $192000 * 5 = 960000$ Shares
2004 – WIPRO declares bonus 2:1 = $960000 * 3 = 2880000$ Shares
2005 – WIPRO declares bonus 1:1 = $2880000 * 2 = 5760000$ Shares

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2010 – WIPRO declares bonus 3:2 = $5760000/3 = 1920000 \times 2 = 3840000 + 5760000 = 96,00,000$ Shares

100 shares of WIPRO became 96,00,000 (96 lakhs) Shares in 2015 (or in 35 years).

In 2010 WIPRO was trading at around 650.

$650 \times 96,00,000 = 6,24,00,00,000.00$ OR ₹624 crores.

Dividends = ₹200+ crores

Net Worth = $624 + 200 = ₹824+$ crores.

Profit of more than ₹ 824 crores by a paltry investment of just about ₹10,000 in 35 years without doing any hard work. How is that for a return? Most people do work for 30-35 years Someone who had done that could have retired now with worth more than many rich industrialists/entrepreneurs in the world.

Had your father invested in shares worth even ₹1000/- (one thousand only) in your name in 1975 in ITC or WIPRO, you would be the owner of many crores today.

Now the first question that may come to your mind is, how can we know that a stock will give such a return in a few years? Good question. **But the fact is almost all big companies returned almost the same amount.** Mid-caps were better. Maybe you would have made 100 crores with some other company but does that matter?

What about diversification? Some in ITC, some in SBI, some in HDFC etc. **What about more investments every year along the way?** Can you get the idea I am talking about? By the time you retire, you will have accumulated so much wealth that not only can you live a very rich life but you can pass this great wealth generated to your children and/or grandchildren.

There is a living person who invested in stocks using the same strategy above and made billions of dollars. He is none other than [Warren Buffett](#). He is probably the most successful stock market investor of our time. He is also one of the richest men walking on Earth today. **Stock markets made him rich but it was not overnight. It took him years of investment.** Once some reporter asked him what was the best time to sell a stock. His reply was NEVER.

Yes, it took him a lot of years to become very rich, but how do you want your investment to perform 10 years from now? Ask yourself.

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How to make crores from the stock markets now?

So you want to know how you can repeat the same performance now? The answer is the same. Something that does not make money will never make money and something that does make money will make money. This theory will hold for years from now.

You need to identify stocks that you want to invest in and keep investing in them till you retire. Choose 5-6 great companies and start investing today. Forget this money till you retire. [Here is how you can identify these stocks](#).

Of course, diversification also means not investing everything in just one place. What if your stock portfolio does not perform? **For that, you must trade as well – but [trade conservatively](#).** If you are conservative with your trades you should be able to make money over time. Even a 20%-30% return a year is much better than speculating options and losing money. Results can be great if you [compound that money](#). We are talking 10 years from now, not tomorrow.

With stocks, you do not have control over price. With trading options conservatively, you have. Your age is running out. If not now then when?

I got this comment from Mr Noble which I think is quite interesting so I am posting both the comment and my answer here to benefit all. Most people do not read comments.

It is possible to speak these ideas from hindsight. The markets have matured and we are not in 1975. Investments now require a different kind of approach. This may not work as we are in a different market cycle. Also, cycles can not be identified beforehand. The companies existing today may not be around in another 30 years

Thanks,
Noble

My answer:

Noble,

You are right the markets have matured and we are not in 1975. But that stands for every business. If you want to start a company – you need to just jump into it with some research and money. A lot of people have ideas to do business but will give themselves excuses like – today's economics is

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different than what it was 20 years ago, there is a lot more competition blah blah. These are the people who can never start a business despite being intelligent, and die working their life in a 9-5 job. Had they not given themselves any excuse and given it a try for at least 1 year – I am sure most would succeed.

The point here is if markets have changed why can't you?

The biggest change that has happened is that today shares and even IPO (Initial Public Offering) are sold at a premium.

So if a great company like ITC or WIPRO comes with an IPO today it would be at least in the price band of ₹ 300-350 per share. But if you count inflation, going 30 years back probably ₹ 300/- would be equal to 23 – double that of 10. So maybe not 800 crores, but you make 400+ crores – does it matter?

Yes, it's difficult to pick companies that will keep growing for years, but **it's not difficult to pick a few that are doing very strong today. Keep investing in them for a few years, and when you make a healthy profit – take your money out.** Then according to those times pick another set of great companies and start investing. **Rotate your money and compound.**

It is not that difficult. For example, I lost money from 2007 through 2011. A lot of investors lost too. My psychology was the same along the lines of what you have written. It's a different market, it's hard to find great companies to invest blah blah – the result is I lost money because I had no discipline or a planned approach to investments. **And I wanted quick results.** You have to learn to live with the volatility of the markets.

Let us take an example. At that time IT and banking sectors were doing well. Had I invested gradually in Axis Bank, SBI, and Infosys (all giants) – **my investment would have grown by at least 500% – in just eight years.**

So stop giving excuses. Just start investing. I bet in a few years you will see the benefit.

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