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Smart money lessons from the success of Rakesh Jhunjhunwala

Devina Mehra | 9 April 2026

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SUMMARY

Keeping firm control over one's mind through market swings holds the key to investing success. Another is understanding the patterns of stock market movements. Here's a deep dive into how Jhunjhunwala made most of his money.

If I ask which is the most volatile investment option among fixed deposits, Public Provident Fund, equity and liquid mutual funds, everyone will get the answer right: equity. Of course, there are assets like cryptocurrency that are even more volatile, but we are not going there now.

When we look back on index charts for various stock markets globally over the decades, it all looks so simple: the market went down here, then went up, and obviously you would have either remained invested through the ups and downs or bought more at the bottom. Of course. Nothing could be simpler. And you are smart.

Unfortunately, in the here and now, you see only the down leg in the graph without any clarity on if, when and how an upward move will come. It is then that the voice in your head begins to panic and pushes you towards the exit.

Volatility in theory appears fine, and at some level, we all think that it means a 20% return in one year and maybe only 5% the next. The reality can be a decline of 15% or even 25% in the next period.

The 'superpower' that's needed for market success is actually quite simple, at least in theory: understand and act on the fact that stock market returns are lumpy, not even. Everyone in Indian markets seems keen to emulate the late Rakesh Jhunjhunwala, or at least his investment results.

There are many theories about his investment methods and philosophies, and why he succeeded and managed to make a fortune investing exclusively in Indian equities.

So was his superpower his selection of stocks? As someone who knew him first hand, I would say not. He bought literally hundreds of stocks and was equally passionate about many of them. But he ended up making almost his entire fortune in three or four of them: Titan, Crisil, Lupin and a couple more.

His trick was something else entirely. A book about him, *The Big Bull of Dalal Street: How Rakesh Jhunjhunwala Made His Fortune*, makes all sorts of assertions about his methods and abilities. But the line that stood out for me was a quote from Jhunjhunwala himself: "Not every year I make money. I make money in spurts, like 1989-92, 2003-07, 2009-11. In 1994-99, I would not have made any trading income."

This should be the Eureka moment for other investors. Not only do stock market returns vary from year-to-year, there can also be long periods of no returns at all. On the other hand, you can make mega returns in just two or three good years. After all, between 2003 and 2007, the Indian market indexes themselves went up about six times.

Sounds great? But note that this was after nine years of net zero returns and a 40% decline from the top. If you remain disciplined through downturns or frustrating sideway moves, which can go on for what may seem like an interminably long time, you will be way ahead of the general investor pack.

Unfortunately, if you get out of the market during scary times, you'll never be able to catch up when the upmove comes.

As you may have heard me repeat over the years, if you missed out on just the 10 best days of the Indian stock market in 40-plus years, you would have lost out on two-thirds of the total market returns over this period.

Miss out on the 30 best days over 40 long years and you have missed 90% of the returns you could have made. The pattern is the same for the S&P 500, in whose case missing out on the 100 best days in 100 years would bring your returns to negative territory!

As it happens, these sharp upmoves usually come when there is fear, anxiety and uncertainty in markets. Markets rarely go up that rapidly in a bull phase. For example, if you did not get back into the markets by the last week of March 2020 after the horrifying covid crash at the beginning of the month, you'd have missed the 30% return over the next five weeks, both in India and globally. It is a gap that would then have been impossible to bridge no matter how smart an investor you are.

In an ideal world, you would get out before a big crash and get back in time, something we at First Global did manage to do during February and March 2020. However, this kind of timing doesn't always work out even for professional investors.

Overall, it does more damage to your portfolio returns if you are out of the market at the wrong time than if you remain invested and face a decline in your portfolio. Equanimity, discipline and an ability to stick to your long-term plans—basically control over your mind—hold the key to successful investing.

If you have to learn one thing from Rakesh Jhunjhunwala's investing career, it is this.

Many others have started touting these statistics only in the recent past, but I have written about this in considerable depth in my book, *Money Myths and Mantras*, laying out precisely how long downturns have lasted in the past and what would have happened to your investment portfolio.

My advice, as always, favours proper, well-considered asset allocation and as little tinkering as possible with this allocation thereafter.

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