

Do you know that by investing an amount of Rs.10000 could make you a billionaire (Rs.781 Crores) in 40 years?

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If I had the time machine to go back in 1980, I would buy 100 shares of Wipro for Rs.10,000 as a one-time investment and never sell it for the next 30-40 years.”

If I had done that my investment would now be worth about **Rs.781 crores**. Yes, you read that right. Crores, not thousands or lakhs.



This is one of the common examples given when people come into investing in shares in India. Almost every Indian blog about investing in stock markets gives this example and I also post this here as

requested by a reader. A lot of people think that it is a lie and do not believe it, but it is possible and there are numbers to prove it.

Rs.10,000 to Rs.781 Crores

Let's just assume that you bought 100 shares of Wipro each at a face value of Rs.100 in the year 1980. Total investment: Rs.10,000.

You don't touch it at all, no profit booking or buying more shares. Occasionally companies provide benefits to its shareholders by way of corporate actions.

They could provide bonus shares for shares that you hold, they could do a stock split where a high face value share would be broken down into smaller face value shares but the number of shares increases proportionately, etc.

Wipro has done various such bonuses and stock splits in its history of 1980-2020. Let's now see the different corporate actions and how the number of stocks would've grown

Year	Corporate Action	Number of Shares	Face Value
1980	Initial Investment	100	Rs. 100
1981	1:1 Bonus	200	Rs. 100
1985	1:1 Bonus	400	Rs. 100
1986	Stock Split to FV Rs. 10	4000	Rs. 10
1987	1:1 Bonus	8000	Rs. 10
1989	1:1 Bonus	16000	Rs. 10
1992	1:1 Bonus	32000	Rs. 10
1995	1:1 Bonus	64000	Rs. 10
1997	2:1 Bonus	192000	Rs. 10
1999	Stock Split to FV Rs. 2	960000	Rs. 2
2004	2:1 Bonus	2880000	Rs. 2
2005	1:1 Bonus	5760000	Rs. 2
2010	2:3 Bonus	9600000	Rs. 2
2017	1:1 Bonus	19200000	Rs. 2
2019	1:3 Bonus	25600000	Rs. 2

After the year 2019, there were no more bonuses or stock splits. But with just that initial investment of Rs.10,000 (100 shares) you now would end up with 2,56,00,000 shares of the company because of all the stock splits and bonus shares.

The current stock price of Wipro is about Rs.305 per share, as of 15th September 2020.

$\text{Rs.}305 \times 2,56,00,000 = \text{Rs.}780,80,00,000$ or about **Rs.781 crores**. That is a CAGR (Compound Annual Growth Rate) of 40.38%. Does any of your bank FD give you a 40.38% annual interest rate?

It was all possible because of the free shares that the company gave to its shareholders as an incentive for investing in their company. If you immediately needed to liquidate this entire holding today you can do so.

Do not forget the dividends part of 2.56 Crore every year?

If you thought that Rs.781 crores out of a meager investment of Rs.10,000 were unbelievable, here comes another shocker. Every year the company announces dividends from its operating profits for its shareholders. As a shareholder, you would also get this benefit for how many ever stocks you hold.

For example, Current year 2020, the company announced Re.1 per share as dividends. So, you get back Rs.2.56 crores just for holding the shares. Until recently dividends were also not taxed. But now any aggregate dividend above Rs.10 lakhs is taxed at 10%.

For a comparison, just calculate your (or your dad's) current salary per annum and imagine getting a crore every year as additional income. How does this Rs.10000 investment compare to all the other money invested in other products like real estate or gold?

No other investment would've given you such returns and dividends every year. If only my dad had the surplus money to invest in this.

Time and again, the stock market have proved that the long-term investment is the real strategy to create huge wealth.

WIPRO is just an example. There are a number of companies in the Indian stock market which has given even a better return compared to WIPRO. For example- Eicher Motors, MRF, Reliance Industries, HDFC Bank, Page Industries etc. Although it's little difficult to hold a stock for such long-term and not to book any profit. However, if you are a conservative investor with good patience level, then you can definitely receive amazing returns from your investments.

In the end, here is a quote by Warren Buffett:

"Buy a stock the way you would buy a house. Understand and like it such that you'd be content to own it in the absence of any market".

In the world of investments, everyone loves high returns. But high return must not come at the cost of high 'risk of loss'.

But if investor will give too much emphasis on "minimising risk", then they will end up investing in debt-based plans. Debt plans are ok, but they yield only low returns.

"Long term investment" is a strategy which one can use to earn high returns without taking too much risk. How? Because while practising long term investing, one can deal with equity.

Though equity is a risky option, but when it is held for long term, their returns become predictable.