

The questions about Rajesh Exports began in 2024. Who went looking?

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Maxim: *Seek out evidence that you are wrong.* — Charlie Munger

Munger's hardest habit is the one investors skip most often: hunting for the facts that say the thesis is broken, before the market does it for you.

The most dangerous research is the kind that only confirms what you already believe.

On 14 October 2026, the Securities and Exchange Board of India confirmed its interim directions against Rajesh Exports, the Bengaluru gold refiner and jeweller, and its promoter-chairman Rajesh Mehta. Mehta remains barred from dealing in the company's shares, and Sebi rejected his plea to lift the ban, [Outlook Money](#) reported. Sebi alleges that about ₹15.15 lakh crore of revenue booked through the company's subsidiaries between FY21 and FY25 was misrepresented. That is 99.8% of what those units reported, and they supply more than 97% of group revenue, according to Sebi's [interim order](#). The company disputes the findings, and the order is not a final ruling.

The trail is longer than the headlines. Sebi received a shareholder complaint in March 2024 about receivables unpaid for more than two years, and appointed an investigating authority that October, [Value Research](#) recorded. Its interim order in June 2026 set two numbers side by side. Valcambi, the group's Swiss refinery, reported audited revenue of about ₹542 crore for calendar 2023; Rajesh Exports reported consolidated revenue of ₹2.81 lakh crore for FY24. The company said Valcambi books only processing income while the group counts the full value of the gold it trades. Sebi called that explanation prima facie untenable. The stock had touched ₹239 in December 2025. On 4 June 2026 it closed at ₹104.65, about 56% lower.

Not every fact in Sebi's order was visible to an outsider. But the questions behind it were the kind any shareholder could ask of any company: why are receivables so old, and does the revenue reported by each business add up to the group total? Asking them needs no inside information. It needs a willingness to hear an answer you may not like.

Darwin's habit, Munger's prescription

Charlie Munger returned to one example more than once. In his talk on the psychology of human misjudgment, he described how Charles Darwin trained himself early to intensively consider any evidence that tended to disconfirm his hypotheses, especially the ones he liked best, as the [Farnam Street transcript](#) records. Munger's reason was blunt: the human mind, he wrote, "works a lot like the human egg", shutting out new ideas once the first one is in.

The maxim at the top of this page sums up that view; it is not a line Munger is known to have said word for word. He turned the lesson into a personal rule. In his 2007 commencement address at the USC law school, he called it his iron prescription: "I'm not entitled to have an opinion on this subject unless I can state the arguments against my position better than the people do who are supporting it," according to the [transcript](#).

Psychologists have tested how easily people skip that habit. In Peter Wason's classic 1960 experiment, students were shown the numbers 2, 4, 6 and asked to find the rule behind them; the rule was simply any three rising numbers. Only six of 29 named it correctly at their first attempt, and those who did had tested far more examples that could have proved their guess wrong, the [original paper](#) shows.

Investors behave the same way. A study of 502 investors on a large South Korean stock message board by Park, Konana, Gu, Kumar and Raghunathan found they preferentially valued messages that supported their existing views. Those investors were more overconfident, traded more actively and expected higher returns than was warranted, according to the [paper's abstract](#) in *Information Systems Research* (2013).

When a great record makes it harder to listen

The bias does not spare professionals; a long winning streak can make it worse. Bill Miller's Legg Mason Value Trust beat the S&P 500 in every calendar year from 1991 to 2005. Then came the financial crisis. As the financial stocks he owned fell, Miller kept buying more of them, and the fund lost 55% in 2008, Jason Zweig wrote in [The Wall Street Journal](#) in 2011. Assets that peaked at \$20.8 billion in 2006 had shrunk to \$2.8 billion.

Miller was not careless, and buying more of a falling stock is sometimes exactly right. The danger is in how the decision gets made. When every new fall is read as a bigger bargain rather than as possible news that the thesis is wrong, the mind has stopped testing and started defending. A long run of being right can make that switch easy to miss.

The same pattern plays out on a smaller scale in Indian portfolios. A shareholder who has doubled her money in a stock reads the strong quarter as confirmation and the weak one as noise. The annual report, the rating agency note and the auditor's comments sit unread, because nothing in them is wanted.

Five ways to go looking for the other side

1. **Write the kill list before you buy.** Note two or three facts that would prove your thesis wrong: falling margins, receivables piling up, a key customer leaving. Check them every results season, not only when the price falls.
2. **Read the best case against you first.** Find the strongest bear argument you can, from a broker note, a rating report or a sceptical investor, and see if you can state it better than its author. That is Munger's test.
3. **Watch the filings that carry bad news.** If an auditor resigns, Sebi rules require the company to disclose the auditor's detailed reasons to the exchanges within 24 hours of receiving them, under a [2019 circular](#). Promoter pledges, rating downgrades, and related-party notes in the annual report belong on the same reading list.
4. **Check that the parts add up to the whole.** Compare segment and subsidiary numbers with the consolidated total, and cash flow from operations with reported profit. Gaps are not proof of wrongdoing, but they are questions.
5. **Leave the echo chamber.** Message boards and fan groups are full of people who already own the stock. Their agreement feels like evidence. It is not.

The decision rule is simple to state and hard to follow. Hold a stock only as long as you can name what would make you sell it, and you are actually watching for that thing. If the kill list has been triggered and you find yourself explaining it away, treat that feeling as the signal. Changing your mind on new evidence is not weakness; it is the job.

Destroy a favourite idea

The Rajesh Exports case is not settled, and the company may yet answer Sebi's allegations. But its timeline shows how long questions can sit before they reach the price: a complaint in March 2024, a probe that October, and a share that still touched ₹239 in December 2025 before falling by more than half. No outsider could have known what Sebi would find. Still, the questions behind it are the kind an annual report invites, and an investor does not need to wait for the regulator to start asking them.

Munger's advice is uncomfortable because it asks you to work against your own wishes. Look hardest at the evidence you least want to find, and read the bear case before the bull case. A thesis that survives that search is worth holding. One that cannot face it was never a thesis, only a hope.

Sources

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