

IRFC's profits rose gently. Its shares swung from ₹30 to ₹229 to ₹78

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Maxim: *Mr. Market is there to serve you, not to guide you.* — Warren Buffett, retelling Benjamin Graham

The market quotes a price for everything you own, every day. Those quotes are offers, not verdicts. Treat them as verdicts and you will buy high and sell low with complete conviction.

A share price tells you what someone will pay today, not what a business is worth.

Few Indian stocks show the difference as plainly as Indian Railway Finance Corporation. Its business is unglamorous: it raises money and leases rolling stock and other assets to the Indian Railways. It earned a profit of ₹6,337 crore in 2022-23, [Business Standard](#) reported. Three years later, in 2025-26, it earned ₹7,009 crore, according to the [Free Press Journal](#). Revenue that year barely grew. Steady, slow, predictable.

The share price was none of those things. It ended 2022 at about ₹30, according to [Finology's price history](#). Then railway and public-sector stocks caught fire. On 15 July 2024 IRFC touched ₹229, and [Business Today](#) put its price-to-earnings multiple at about 43. On 19 October 2026 the shares closed at about ₹78, at a multiple of about 14, according to [Upstox](#).

Same company, same customer, similar profits. What moved violently was mostly the mood of the person quoting the price. Benjamin Graham gave that person a name.

A partner with incurable mood swings

Warren Buffett retold Graham's parable in his [1987 letter](#) to Berkshire Hathaway shareholders, dated 29 February 1988, a few months after the worst one-day crash Wall Street had seen. Imagine, he wrote, that market quotations come from a business partner who turns up every day and names a price at which he will buy your share or sell you his. The business may be stable. His prices are not, because he has, in Buffett's words, "incurable emotional problems". Euphoric, he quotes a silly high price. Depressed, he quotes a silly low one.

Two details make the parable useful. First, he does not mind being ignored; if today's price does not interest you, he will be back tomorrow with another. Second, every transaction is at your option. That is why Buffett concluded that the more erratic Mr. Market's behaviour, the better for a patient owner, and then added the warning in the maxim: Mr. Market is there to serve you, not to guide you. "It is his pocketbook, not his wisdom, that you will find useful."

The year itself made the point. The Dow ended 1987 up just 2.3%, Buffett noted, after a "manic rampage" until October and "a sudden, massive seizure" after it. A business owner who had ignored the quotes all year would have barely noticed. One who took them as guidance would have been euphoric in August and terrified in October about exactly the same companies.

When the quote becomes the guide

Mr. Market is most dangerous when he is cheerful, because that is when people stop questioning him. In August 2024, Resourceful Automobile, a Delhi company running two Yamaha showrooms with eight employees, sought about ₹12 crore in a small-company IPO. Bids came to nearly ₹4,800 crore, 419 times the shares on offer, [Business Standard](#) reported. Geojit's V K Vijayakumar called the demand for such issues "absurd". Few of those bids can have rested on a valuation of two showrooms. Most were reading the crowd's enthusiasm as information.

The gloomy mood misleads just as well, only in the other direction. Buffett's own diagnosis of 1987 was that volatility hurts an investor only if he is forced, "by either financial or psychological pressures, to sell at untoward times". The financial pressure is borrowed money or cash you need next month. The psychological pressure is the belief that a falling price must know something you do not.

Sometimes it does. Mr. Market is moody, not always wrong. IRFC's growth did slow, and a lower multiple for a slower business is not madness. Buffett was blunt about the condition attached to the parable: if you are not certain you understand and can value the business far better than Mr. Market, "you don't belong in the game". The parable gives no licence to ignore bad news. It is a licence to ignore prices that are not news.

Putting the servant to work

Treating Mr. Market as a servant starts with a habit Buffett described in the same letter: judging investments by their operating results, "not by their daily, or even yearly, price quotations". For a stock, that means the annual report, the quarterly results and the cash flow, read before the price chart. For a mutual fund, it means the portfolio and the process, not the one-year return on an app.

It also means having your own rough sense of value before the market offers you one. Write down, in a sentence or two, why you own each holding and what would make you sell. When the price swings, check the note, not the news feed. If the business has changed, act. If only the price has changed, you have a choice, not an instruction: add a little if it is cheap against your note, trim if it is far above it, or do nothing at all.

And keep the pressures Buffett named away from your portfolio. Money you will need within a couple of years belongs somewhere Mr. Market cannot reach it. Borrowed money turns his bad days into your forced sales.

If you do one thing: Before the next sharp fall or rally, write one line for each stock or fund you own: why you hold it and what business change, not price change, would make you sell. When Mr. Market next shouts, read that line first.

IRFC's shareholders were offered about ₹30, then ₹229, then ₹78 for a business that changed far less than any of those numbers. Each offer came from the same partner in a different mood. An owner who knew what the business earned could use his euphoria to sell and his gloom to buy. An owner who did not could only borrow his mood.

The quote will be there again tomorrow, as it always is. You are under no obligation to take it, and still less to believe it.

Sources

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- [Business Today: IRFC shares down over 10% from record high \(18 July 2024\)](#)
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