

Trading Behaviour of Individual Traders in the Equity Derivatives Segment

*A Study of Trading Strategies, Capital Employed, Persistence and Behavioural Patterns Among
Individual Traders in EDS*

Study Period: FY25–FY26

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Executive Summary

Trading Strategy¹:

- Retail participation in the equity derivatives segment remained highly concentrated in options buying. 97% of **individual traders**² in the Equity Derivatives Segment (EDS) were predominantly Options buyers, i.e. classified as either 'Only Options Buyers'³ or 'Majorly Options Buyers'⁴.
- In FY26, 93% of traders were classified as 'Only Options Buyers', while a further 4% were 'Majorly Options Buyers'. Only about 2% traders were classified as 'Majorly Options Sellers'⁵. Less than 1% traders were classified as 'Majorly Futures Traders'.
- Options-buying traders accounted for the largest share of aggregate losses in the segment (55% to 65%) and had the highest incidence of loss-makers (~90%).
- 'Majorly Options Sellers' had the lowest proportion of loss-makers (44%), while options buyers had the highest (90%).
- However, losses among 'Majorly Options Sellers' were substantially larger when they occurred. Their average loss per loss-making trader was approximately ₹ 51.7 lakh in FY26—more than 11 times the corresponding figure for 'Majorly Options Buyers' (₹ 4.6 lakh) and over 30 times that for 'Majorly Futures Traders' (₹ 1.7 lakh) and 'Only Options Buyers' (₹ 1.3 lakh).

Capital Employed by Traders in EDS:

- Retail participation was concentrated among low-capital traders. About 77% of traders used peak margin below ₹ 1 lakh, but accounted for only 8% of turnover and 14% of losses.
- Conversely, the 23% of the traders, using more than ₹ 1 lakh capital, accounted for 92% of turnover and 86% of losses.
- The proportion of loss-makers generally declined with higher capital employed. In FY26, 90% of traders using below ₹ 1 lakh as capital incurred losses, compared with 67.6% among those using ₹ 10 lakh–₹ 1 crore.
- However, losses were substantially larger among higher-capital traders. The average loss per loss-maker increased from about ₹ 5,600 for traders using below ₹ 10,000 to ₹ 9.6 lakh for those

¹ The results in this section are based on random sample of about 5,050 traders and does not reflect entire population of traders. Therefore, it should be noted that the findings in this section/report are only indicative and should be interpreted with caution.

² **Individual Traders** include both **retail** and **HNI** traders, and comprise resident individuals, Hindu Undivided Families (HUFs), Non-Resident Indians (NRIs), sole proprietorships, Individual investors under PMs.

³ 'Only Options Buyers' – means Options Buyers on all trading days. It refers to the traders who enter positions by buying options first and subsequently squaring them off on all trading days.

⁴ 'Majorly Options Buyers' – means Options Selling (first leg of transaction) on < 50% of trading days

⁵ 'Majorly Options Sellers' – means Options Selling (first leg of transaction) on >= 50% of trading days

using ₹ 10 lakh–₹ 1 crore. Thus, lower-capital traders had a higher incidence of losses, while higher-capital traders faced much larger losses when losses occurred.

Small-Capital Traders in EDS:

- Small-capital traders (highest capital below ₹ 1 lakh) formed 77% of traders but accounted for only 8% of turnover and 14% of total losses, while the remaining 23% of traders accounted for 92% of turnover and 86% of losses.
- Loss incidence was higher among low-capital traders (90% vs. 81%), but losses were substantially larger among higher-capital traders, averaging ₹ 9.2 lakh per loss-maker compared with ₹ 0.44 lakh among low-capital traders.

Trading Experience and Trading Intensity⁶:

- Longer trading experience was not associated with improved outcomes: The share of loss-makers increased from about 91% among first-year traders to over 95% among traders with four or more consecutive years of participation.
- Trading losses were heavily concentrated among the most active traders. Traders active for more than 100 days accounted for 42% of traders, but 94% of turnover and 87% of total losses.
- Higher turnover and greater trading intensity were consistently associated with higher loss rates and larger average losses. The relationship was particularly pronounced where high turnover was combined with relatively low capital or portfolio holdings.
- Trading intensity relative to the underlying equity portfolio was substantially higher among younger, lower-income and small-portfolio traders, with small-portfolio traders generating turnover many times their underlying portfolio value.

Profit–Loss Asymmetry:

- Profitable quarters accounted for only 15% of client-quarter observations, while 85% were loss-making.
- The median loss in a loss-making quarter was ₹ 10,525, more than twice the median gain of ₹ 4,366 in a profitable quarter.
- Among traders who experienced both profitable and loss-making quarters, 78.7% recorded a higher average loss per losing quarter than their average gain per profitable quarter.

⁶ **Trading Intensity** is defined in terms of multiple parameters viz. a) number of days traded in a year, b) turnover, c) turnover relative to capital or d) turnover relative to equity portfolio

Trading Persistence:

- Trading persistence moderated significantly in FY26. Only about 57% of the FY25 cohort continued trading in FY26, compared with a long-term average of about 65%, while 43% stopped trading in FY26.
- Traders with large prior gains or losses were substantially more persistent than traders with relatively small prior outcomes; around 88% of traders with cumulative gains or losses exceeding ₹ 10 lakh continued trading.
- Losses were highly persistent among continuing traders. 90–92% of traders who had incurred losses in each of the preceding two years incurred losses again in the subsequent year.
- Sustained profitability remained rare: among traders active throughout FY22–FY26, only 0.5% were profitable in all five years, while 65.6% incurred losses in every year.

Losses Before Trading Exit:

- Recent losses were strongly associated with **temporary trading exits**. Across quarters, 86–89% of traders who discontinued trading had incurred a loss in the immediately preceding quarter.
- However, large cumulative losses did not necessarily result in **permanent exit**. Traders with cumulative losses exceeding ₹ 10 lakh during FY22–FY24 had a continuation rate of about 88%, indicating that substantial past losses were also associated with continued participation.

Cash Market Activity of Derivatives Traders:

- Cash-market participation of EDS traders remained limited. 18.6 lakh EDS traders (24% of FY26 EDS traders) had no cash-market turnover in FY26, while more than half had cash-market turnover below ₹ 1 lakh.
- Trading outcomes improved systematically with greater cash-market participation relative to derivatives activity: traders whose activity was concentrated predominantly in derivatives recorded higher loss rates and larger average losses than those with greater cash-market activity.
- The shift towards derivatives-only participation has been pronounced: the number of traders participating exclusively in derivatives increased substantially from the pre-COVID period to FY26.

Subsequent Equity Holdings/ Wealth Creation:

- Among approximately 1.10 crore traders who incurred EDS losses during FY22–FY24, subsequent equity holdings remained very small for most traders: 77% had an FY26 equity portfolio below 25% of their cumulative EDS losses, while only 18% had portfolios exceeding their cumulative losses.

- Among traders with substantial historical derivatives losses, subsequent equity holdings were particularly small; for example, traders with cumulative losses exceeding ₹ 1 crore had a median FY26 equity portfolio of only ₹ 138.
- In contrast, substantial historical EDS profits were associated with materially larger subsequent equity portfolios: traders earning more than ₹ 1 crore during FY22–FY24 had a median FY26 equity portfolio of about ₹ 1.08 crore.
- Overall, the data shows a strong association between past derivatives outcomes and subsequent equity holdings, but the analysis does not establish causation or measure overall household wealth, as other financial assets and liabilities are not captured.

1. Introduction

The Equity Derivatives Segment (EDS) in India has seen substantial growth in participation by individual investors over the past few years. The number of retail traders — particularly in index and stock options — has risen sharply, making individual investors a significant segment of the derivatives market. The nature of that participation has also evolved, with trading increasingly concentrated in short-duration option contracts and frequent-trading strategies.

SEBI has periodically analysed the profitability of individual investors in the derivatives segment. These studies have consistently found that a large majority of individual traders incur losses after accounting for transaction costs. While informative on outcomes, they have not, on their own, explained the behavioural patterns associated with those outcomes.

Trading outcomes are shaped not only by market movements but by how investors participate in the market — the scale of trading relative to available capital, turnover generated, investment portfolio, trading experience, frequency of participation, and investor characteristics may all have an important bearing on results. Understanding these behavioural patterns is therefore essential to assessing how individual investors engage with the derivatives market.

This study examines the trading behaviour of individual investors in the EDS using transaction-level data, margin information, portfolio holdings, and investor demographic information. It covers trading activity, capital employed, turnover, investment portfolio, transaction costs, trading persistence, and participation across demographic segments.

The study identifies broad behavioural patterns associated with trading outcomes and examines how these vary across investor categories. The findings are intended to support investor-awareness initiatives and inform policy formulation aimed at strengthening investor protection.

2. Objectives of the Study

This study extends SEBI's earlier work on the profitability of individual traders in the equity derivatives segment:

- a) **"Profits and Losses in the Equity Derivatives Segment (FY19–FY22)"** published in January 2023 ([link](#))
- b) **"Analysis of Profits and Losses in the Equity Derivatives Segment (FY22–FY24)"** published in September 2024 ([link](#))
- c) **"Comparative study of growth in Equity Derivatives Segment vis-à- vis Cash Market after recent measures"** published in July 2025 ([link](#))
- d) **"Analysis of Profits & Losses in the Equity Derivatives Segment (FY25-FY26)"** published in August 2026

The earlier studies found that a large majority of individual traders consistently incurred net losses in EDS. During FY22–FY24 alone, individual traders incurred aggregate net losses exceeding ₹ 1.8 lakh crore, with around 93% of traders making losses after transaction costs — underscoring the need for continued monitoring of trading outcomes and behavioural patterns in a rapidly growing market.

This study aims to:

- Study the relationship between trading outcomes and behavioural characteristics such as trading turnover, trading frequency, investment horizon, portfolio size, and persistence of participation;
- Examine trends in trading activity, participation, and profitability across products, investor categories, and demographic segments;
- Analyse the relationship between trading behaviour and trading outcomes, and identify behavioural characteristics associated with a higher incidence of losses;
- Identify behavioural patterns that may indicate excessive or speculative trading activity, including high turnover relative to capital employed or investment portfolio;
- Generate empirical evidence to support investor-awareness initiatives and inform policy formulation aimed at strengthening investor protection in the EDS.

3. Data Collection and Overview

The study draws on two complementary datasets covering individual participants in the Equity Derivatives Segment (EDS).

3.1. Individual Trader-Level Profit and Loss Data

- Client-level data were obtained from the **top 15 brokers, ranked by individual trader turnover in the EDS during FY22–FY24**. The data include realised trading profits and losses, transaction costs, turnover, trading frequency and selected demographic characteristics, including age, gender, pincode and city.
- Unless otherwise specified, the tables and figures presented in **Sections 5–9** are based on this client-level dataset, supplemented with KYC and aggregate data from SEBI and PAN-level information from Clearing Corporations.
- **Source:** Top 15 brokers identified in SEBI's September 2024 study. **Coverage:** approximately 90% of individual traders in the EDS. **Period:** FY25 and FY26. **Frequency:** quarterly.
- The dataset covers approximately 90% of the individual trader population and about three-fourths of individual turnover in the EDS.

Table 1: Sample Coverage — Top 15 Brokers by Individual Trader Turnover

Year	Sample (lakh)	Actual (lakh)	% of Total
FY22	42.74	51.35	83.2%
FY23	58.35	66.96	87.1%
FY24	86.26	95.75	90.1%
FY25	98.10	106.30	92.3%
FY26	78.60	87.71	89.6%

3.2 Individual Trader-Level Margin Utilisation Dataset

- Daily peak-margin and settlement data were obtained from the Clearing Corporations for a **randomly selected sample of 5,050 individual traders**. This dataset is used for two specific components of the analysis: **(i)** classification of traders according to predominant trading behaviour, based on settlement-position data; and **(ii)** estimation of returns relative to capital employed, using daily peak-margin data.
- **Source:** NCL and BSECL. **Coverage:** 5,050 randomly selected individual traders.
- **Period:** FY25 and FY26. **Frequency:** daily.

- Of the **5,050** selected traders, **5,001 traders had recorded trading activity in FY25 and 4,995 in FY26**. These constitute the effective analytical sample for the respective years. Traders with no recorded activity during a particular year were excluded from the analysis for that year.

3.3 Computations by SEBI

- The datasets described above were linked using the unique **Permanent Account Number (PAN)** of each individual trader.
- Aggregate values, proportions, averages, ratios and other derived measures presented in the study were computed by SEBI using the granular data received from the sources described above.

4. Methodology

4.1 Analytical Approach

- The margin-utilisation and settlement data were analysed at the individual-trader level to examine the relationship between **trading behaviour, capital employed and trading outcomes**.
- Traders were classified into four broad categories based on their predominant trading behaviour:
 - Only Options Buyer
 - Majorly Options Buyer
 - Majorly Futures Trader
 - Majorly Options Seller
- The classification is based on the proportion of trading days on which a trader predominantly held the respective type of position.
- Returns were analysed relative to **capital employed**, with daily peak margin utilised used as the measure of capital employed. This enables comparison of trading outcomes across traders with different levels of capital deployment.
- The analysis primarily uses descriptive measures such as **averages, medians, percentages, distributions, ratios and comparisons across trader categories and financial years**. The study also examines differences in outcomes across trading behaviour, trading intensity and other relevant characteristics.

4.2 Sampling and Representativeness

- The 5,050-trader dataset was selected through **random sampling**. Accordingly, the results from this dataset are intended to provide estimates for the broader population of individual traders from which the sample was drawn.
- The reliability of estimates depends on the size of the relevant sub-group within the 5,050-trader sample. Accordingly, the sample size is taken into account while interpreting disaggregated results, particularly for smaller behavioural categories.
- Where appropriate, the study compares the characteristics and outcomes of different trader categories and across FY25 and FY26. Such comparisons are used to identify broad patterns in trading behaviour and outcomes rather than to establish causal relationships.
- To assess whether the selected traders broadly reflect the underlying individual trader population, the distribution of traders in the margin-utilisation dataset is compared with the population distribution across **turnover categories**. This comparison provides an indication

of whether traders with different levels of trading activity are adequately represented in the dataset.

Table 2: Characteristics of Sample and Population Dataset (Category-wise Turnover) - FY26

EDS Turnover Category	Sample Proportion (n = 5,050)	Population Proportion (n=78.6 lakh)	Difference
₹ 10K–₹ 1L	14.3%	17.2%	-2.9%
₹ 1L–₹ 5L	23.1%	23.3%	-0.2%
₹ 5L–₹ 10L	27.9%	25.7%	2.2%
₹ 10L–₹ 1Cr	18.5%	15.3%	3.2%
> ₹ 1Cr	5.6%	4.5%	1.1%

Note: 1) Sample dataset - Individual Trader-Level Margin Utilisation Dataset; 2) Population Dataset – Trading Level Profit and Loss Data

Table 3: Characteristics of Sample and Population Dataset (% Loss-Makers) - FY26

Characteristic	Sample Proportion (n = 5,050)	Population Proportion (n=78.6 lakh)	Difference
% of Loss-Makers	88.1%	87.7%	0.4%

- Since, there is very minimal difference in the characteristics of sample and population dataset, our sample data of 5,050 traders can be considered as a good representative of the population dataset.

4.3 Statistical Basis and Interpretation

- The analysis is primarily **descriptive and associational**. It identifies patterns observed in the sampled traders and examines how trading behaviour and outcomes vary across different groups.
- For a random sample of 5,050 traders, an estimated proportion of around 50% has a margin of error of approximately **±1.4 percentage points at the 95% confidence level**, assuming simple random sampling. The margin of error is higher for smaller sub-groups.

- Accordingly, findings based on smaller sub-groups are interpreted with greater caution. Where the number of observations is very small, the findings are treated as indicative rather than representative estimates.
- The study does not seek to establish that a particular trading behaviour **caused** a particular outcome. Observed relationships are therefore described as **associations or patterns in the data**.

4.4 Measurement of Capital Employed

- For the purpose of analysing returns, **daily peak margin utilised** is used as a proxy for capital employed. This provides a consistent measure of the capital deployed by traders across the sample.
- However, peak margin may not fully capture the actual capital at risk throughout the year. In particular, it may differ from the trader's average capital deployed and may not fully reflect the role of pledged securities or the timing of capital deployment. Returns based on this measure should therefore be interpreted as **returns relative to peak margin utilised**, rather than as conventional portfolio returns.

4.5 Limitations

- The analysis is based on a **random sample of 5,050 traders** and is therefore subject to sampling variability.
- Results for smaller trader categories may be less precise and should be interpreted with caution.
- The classification of traders reflects their **predominant trading behaviour** and may not capture changes in strategy over shorter periods.
- Peak margin utilised is a proxy for capital employed and may not represent the actual amount of capital at risk throughout the year.
- The findings are **descriptive and associational** and should not be interpreted as establishing causal relationships between trading behaviour, capital employed and trading outcomes.

5. Data Analysis and Findings

SECTION 1: BUY/SELL TRADING STRATEGY IN EDS

This section examines trading outcomes based on whether traders predominantly bought options, sold options, or traded futures. The analysis uses a random sample of 5,050 individual traders drawn from the 1.23 crore unique individuals who traded in the EDS during FY25–FY26. Clearing corporation MTM settled value, traded-value, and margin data were used to classify traders into Only Options Buyers, Majorly Options Buyers, Majorly Futures Traders, and Majorly Options Sellers; these classifications were then mapped to the profitability data from the top 15 brokers.

Sample-size caution: this section's findings are indicative, based on a random sample of 5,050 traders. Of that sample, only **5001** (FY25) and **4995** (FY26) traders actually traded in the respective year — the remainder did not trade. Results for the smaller categories, particularly Majorly Options Sellers and Majorly Futures Traders, should be interpreted with caution given the low observation counts; this caveat applies throughout Section 1 and is not repeated at every bullet below.

Table 4: Categorisation of Buyers and Sellers

Category	Criteria	Criteria in Detail
Majorly Futures Trader	>50% of trading days in futures in a year	Futures trading days > options trading days
Only Options Buyer	100% of trading days in options bought	Options trading days > futures trading days, and short-options-position days = 0
Majorly Options Buyer	>50% (<100%) of trading days in options bought	Options trading days > futures trading days, and short-options-position days < 50% of options trading days
Majorly Options Seller	>50% of trading days in options sold	Options trading days > futures trading days, and short-options-position days ≥ 50% of options trading days

Alternatively, in simple terms, Options Buyers and Options Sellers are defined as below,

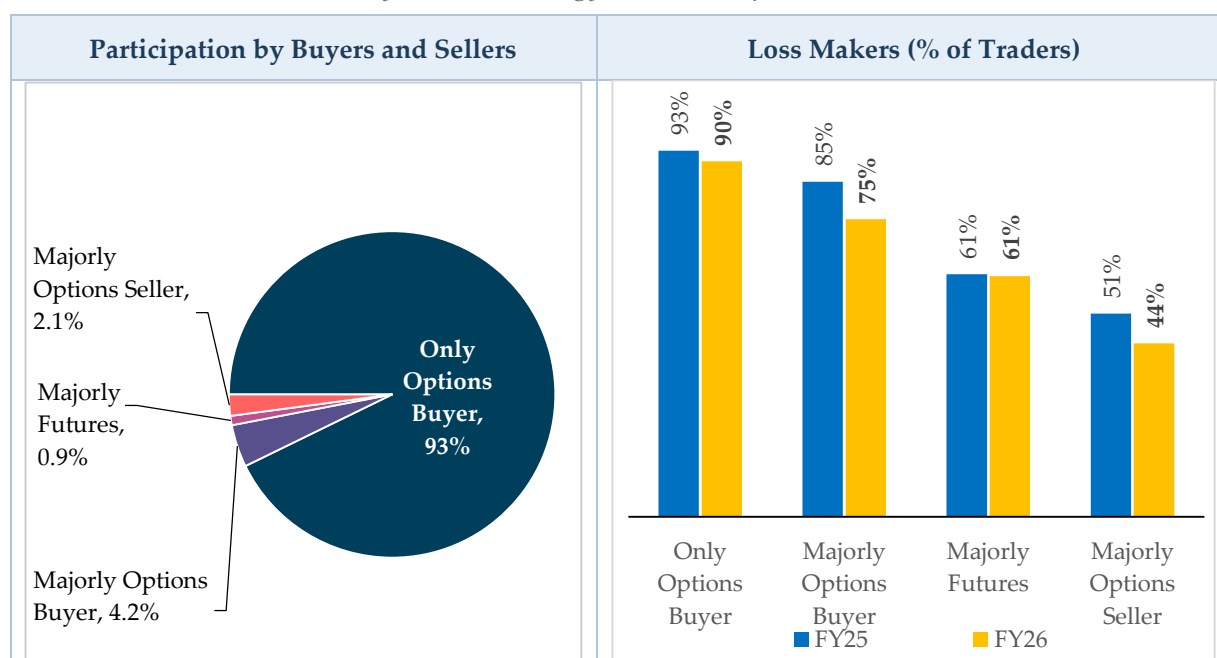
- 'Only Options Buyers' – means Options Buyers on all trading days of the trader. It refers to the traders who enter positions by buying options first and subsequently squaring them off.
- 'Majorly Options Buyers' – means Options Selling (first leg of transaction) on < 50% of trading days
- 'Majorly Options Sellers' – means Options Selling (first leg of transaction) on ≥ 50% of trading days

5.1 Trading Outcomes by Buyer–Seller Profile

Composition of Options Buyers and Options Sellers:

- Retail participation in the analysed sample remained highly concentrated among options buyers.
- In FY26, 93% of traders were classified as ‘Only Options Buyers’, while a further 4% were ‘Majorly Options Buyers’. Together, options-buying categories accounted for about 97% of the sample.
- ‘Majorly Futures Traders’ remained a very small category, accounting for less than 1% of the analysed traders in both FY25 and FY26.

Chart 1: Buyer/Seller Strategy-wise Participation and Loss Rate



Note: The findings for categories with a small number of traders, particularly Majorly Options Sellers and Majorly Futures Traders, should be interpreted with caution

Proportion of Loss-Makers:

- Options buying was associated with high loss incidence. In FY26, 90% of ‘Only Options Buyers’ and 75% of ‘Majorly Options Buyers’ incurred losses. These two categories also accounted for the bulk of aggregate losses and trading activity in the analysed sample.
- ‘Majorly Options Sellers’ had a relatively lower incidence of losses, but did not make an aggregate profit. Their loss-maker share declined from 51% in FY25 to 44% in FY26, the lowest among the four categories. However, the category as a whole incurred a net loss of ₹ 543 crore in FY26, compared with ₹ 428 crore in FY25.

- Thus, 'Majorly Options Sellers' had the lowest proportion of loss-makers (44%), while options buyers had the highest (90%). However, the lower incidence of losses among sellers needs to be considered alongside the substantially higher losses incurred by those who did lose.

Table 5: Buyer–Seller Category-wise Profitability of Sample EDS Traders (FY25–FY26)

Year	Category	Traders	Loss Makers	Net P&L (₹ Lakh)	Turnover (₹ Cr)	Loss Makers (%)	Avg. P&L/ Person (₹)
FY25	Only Options Buyer	4,645	4,300	-7,464	6,972.93	92.6%	-1,60,699
	Majorly Options Buyer	203	172	-909	3,825.71	84.7%	-4,47,742
	Majorly Futures Trader	44	27	-61	771.02	61.4%	-1,38,105
	Majorly Options Seller	109	56	-4,284	3,400.33	51.4%	-39,29,987
	Total	5,001	4,555	-12,718	14,969.99	91.1%	-2,54,306
FY26	Only Options Buyer	4,634	4,167	-5,928	8,842.10	89.9%	-1,27,934
	Majorly Options Buyer	210	158	-972	3,374.42	75.2%	-4,63,048
	Majorly Futures Trader	46	28	-77	947.89	60.9%	-1,66,519
	Majorly Options Seller	105	46	-5,430	4,880.49	43.8%	-51,70,985
	Total	4,995	4,399	-12,407	18,044.90	88.1%	-2,48,389

Note: analysis based on a random sample of 5,050 traders, intended to be indicative. Of the sample, 5,001 (FY25) and 4,995 (FY26) traders actually traded in each respective year (sample composition differs slightly by year as some traders did not trade in both years); results for smaller categories should be interpreted with caution.

Average Per Person Losses:

- 'Majorly Options Sellers' recorded by far the highest average loss among loss-making traders, increasing from approximately ₹ 39.3 lakh in FY25 to ₹ 51.7 lakh in FY26, despite having the lowest proportion of loss-makers.
- In comparison, the average loss was ₹ 4.5 lakh for 'Majorly Options Buyers' in FY25 and ₹ 4.6 lakh in FY26, while 'Majorly Futures Traders' recorded average losses of ₹ 1.4 lakh and ₹ 1.7 lakh, respectively.
- 'Only Options Buyers' had the lowest average loss among the four categories, with the average loss declining from ₹ 1.6 lakh in FY25 to ₹ 1.3 lakh in FY26.

- The data therefore shows a clear asymmetry in options trading: options buyers had a higher proportion of loss-makers but relatively smaller losses per loss-making trader, whereas options sellers had a lower proportion of loss-makers but substantially larger losses when losses occurred.

5.2 Statistical Divergence in Options Selling: High Profitability Rates vs. Extreme Tail-Risk Loss Sizes

- Majorly Options Sellers had a substantially lower proportion of loss-makers (44%) compared with the buyer categories (75–90%).
- However, losses among Options Sellers were substantially larger when they occurred. Their average loss per loss-making trader was approximately ₹ 51.7 lakh in FY26—more than 11 times the corresponding figure for Majorly Options Buyers (₹ 4.6 lakh) and over 30 times that for Majorly Futures Traders (₹ 1.7 lakh).
- The relatively large magnitude of losses incurred by some sellers appears to skew broader market outcomes and contributes meaningfully to the overall market-wide average loss of ₹ 2.5 lakh per person.
- The findings highlight the asymmetric risk profile of options selling: a relatively lower incidence of losses coexists with much higher loss severity among those who do incur losses. This indicates that the lower overall loss rate of options sellers should not be viewed in isolation from the potentially large losses incurred by individual traders.
- Overall, the data indicates a risk asymmetry in options selling, where relatively high win rates may mask a tail-risk profile that can result in significant financial losses.

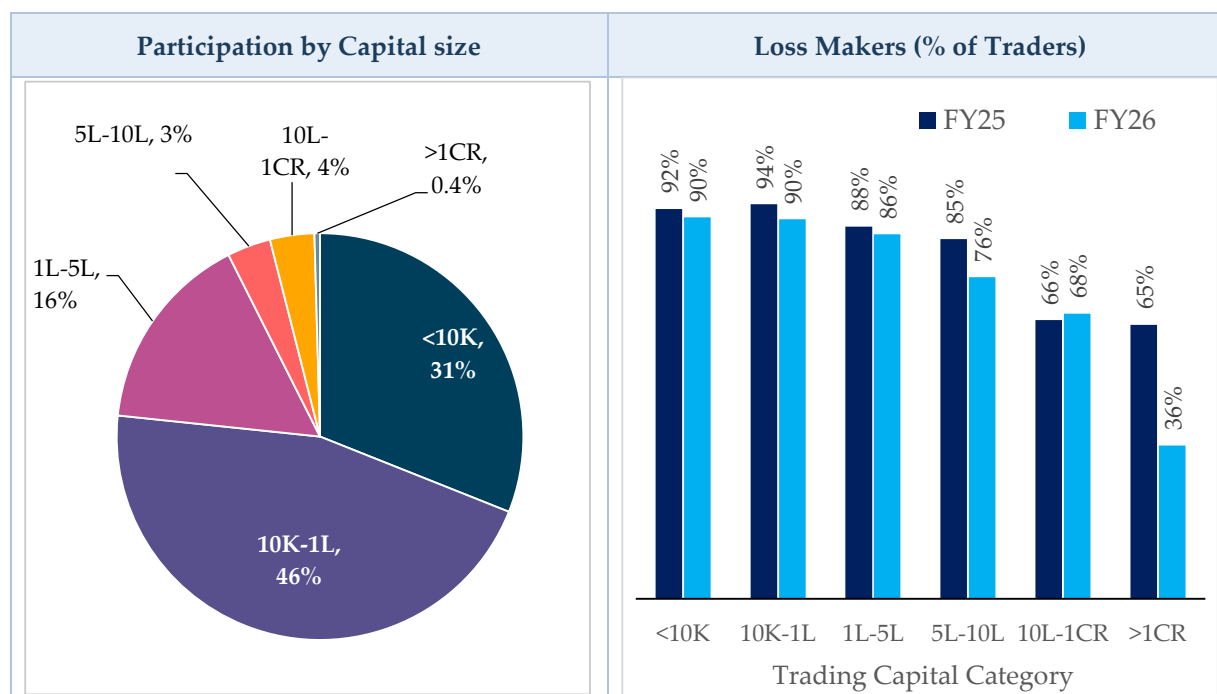
SECTION 2: CAPITAL DEPLOYMENT AND TRADING INTENSITY

5.3 Trading Outcomes by Capital (Peak Margin) of the Traders

Composition of Low- and High-Capital Traders

- Trading was concentrated among traders using relatively small amounts of capital. In FY26, about 77% of traders used peak margin **below ₹1 lakh**, broadly similar to FY25.
- Despite representing a large majority of traders, the **below-₹1 lakh** group accounted for only a small share of turnover, reflecting their relatively limited trading exposure.
- In contrast, traders using '**₹10 lakh–₹1 crore**' represented only about 3.5% of the sample in FY26, but accounted for around 32% of total turnover. Traders using more than ₹5 lakh, together, represented only about 4% of traders but generated over 40% of turnover.
- The **>₹1 crore** category was extremely small, comprising only 22 traders in FY26. Results for this group, particularly the very high average losses, should therefore be interpreted with caution.

Chart 2: Participation and Loss Rate by Capital Employed (Peak Margin)



Note: The findings for categories with a small number of traders, particularly Majorly Options Sellers and Majorly Futures Traders, should be interpreted with caution; The highest peak margin during the year is used as proxy for Capital Employed.

Proportion of Loss-Makers:

- Loss-making remained widespread across all capital categories, although the proportion of loss-makers generally declined as capital employed increased.
- In FY26, 90% of traders using less than ₹ 1 lakh as peak margin incurred losses, compared with 67.6% among traders using ₹ 10 lakh–₹ 1 crore.
- The decline was particularly visible at the higher end: the loss-maker share fell from 76.3% among traders using ₹ 5–10 lakh to 67.6% in the ₹ 10 lakh–₹ 1 crore category and 36.4% among the very small >₹ 1 crore group.
- Thus, higher-capital traders were less frequently loss-making, but they accounted for a much larger share of trading activity.

Average Per Person Losses:

- The magnitude of losses increased substantially with capital employed. In FY26, average loss per loss-making trader increased from about ₹ 5,600 among traders using less than ₹ 10,000 to ₹ 9.6 lakh among those using ₹ 10 lakh–₹ 1 crore.
- For the >₹ 1 crore category, the average loss was about ₹ 2.61 crore per loss-maker. However, this category had only 22 traders, of whom 8 were loss-makers, and should therefore be interpreted with caution.
- The data therefore shows a clear distinction between frequency and magnitude of losses: lower-capital traders had a higher proportion of loss-makers, whereas higher-capital traders, when they incurred losses, incurred substantially larger losses per person.
- This pattern is accompanied by much higher trading activity among higher-capital traders, suggesting that greater capital deployment was associated with substantially greater trading exposure and larger absolute losses.

Table 6: Capital Category-wise Profitability of Sample EDS Traders (FY25–FY26)

Year	Capital Employed	Traders	Loss Makers	Net P&L (₹ Lakh)	Turnover (₹ Cr)	Loss Makers (%)	Avg. Profit/Person (₹)
FY25	< ₹ 10K	1,761	1,628	-193	88	92.45%	-10,978
	₹ 10K–₹ 1L	2,155	2,016	-2,127	1,598	93.55%	-98,715
	₹ 1L–₹ 5L	765	675	-3,095	3,916	88.24%	-4,04,584
	₹ 5L–₹ 10L	129	110	-993	1,877	85.27%	-7,69,880
	₹ 10L–₹ 1Cr	171	113	-2,057	5,049	66.08%	-12,02,704
	> ₹ 1Cr	20	13	-4,252	2,441	65.00%	-2,12,61,994
	Total	5,001	4,555	-12,718	14,970	91.08%	-2,54,306
FY26	< ₹ 10K	1,550	1,402	-86	38	90.45%	-5,561
	₹ 10K–₹ 1L	2,279	2,051	-1,603	1,447	90.00%	-70,338
	₹ 1L–₹ 5L	795	687	-2,356	3,572	86.42%	-2,96,356
	₹ 5L–₹ 10L	173	132	-931	2,513	76.30%	-5,38,340
	₹ 10L–₹ 1Cr	176	119	-1,686	5,780	67.61%	-9,57,977
	> ₹ 1Cr	22	8	-5,744	4,697	36.36%	-2,61,10,969
	Total	4,995	4,399	-12,407	18,045	88.07%	-2,48,389

Note: capital-employed category is derived using the highest peak margin used by an individual during the year, as a proxy for capital employed. Margin includes cash and any securities pledged to brokers for margin purposes.

5.4 Trading Outcomes of Low-Capital Traders

- Most traders operated with relatively low capital: about 77% deployed capital of less than ₹ 1 lakh, yet accounted for only 8% of total turnover and 14% of total losses — reflecting relatively small trading positions.
- In contrast, the 23% of traders deploying more than ₹ 1 lakh accounted for 92% of total turnover and 86% of total losses, indicating a concentration of trading activity and losses among higher-capital traders.
- Loss incidence was higher among low-capital traders: about 90% of traders deploying less than ₹ 1 lakh incurred losses, compared with 81% among those deploying more than ₹ 1 lakh.
- However, losses were substantially larger among higher-capital traders when they occurred: average loss per loss-maker was about ₹ 9.2 lakh among traders deploying more than ₹ 1 lakh, compared with ₹ 0.44 lakh among those deploying less than ₹ 1 lakh. Thus, lower-capital

traders were more frequently loss-making, while higher-capital traders incurred substantially larger losses per person when they lost.

Table 7: Trading Outcomes of Low-Capital vs High-Capital Traders

Capital Employed	% of Traders	% of Losses	% of Turnover	Loss Makers (%)	Avg. Loss/Person (₹ Lakh)
< ₹ 1 Lakh	77%	14%	8%	90.18%	0.44
> ₹ 1 Lakh	23%	86%	92%	81.13%	9.19

5.5 Returns on Capital Employed in EDS

Return on capital employed (RoCE) is calculated using the highest peak margin utilised during the year as a proxy for capital employed. The return reported for each category is the median return across traders in that category.

- ‘Only Options Buyers’ recorded the weakest median returns, at -187% in FY25 and -114% in FY26. While the median return improved in FY26, it remained substantially negative.
- A median return of -114% in FY26 indicates that at least half of the traders in the ‘Only Options Buyers’ category incurred net losses exceeding their peak margin utilised during the year. The corresponding figure of -187% in FY25 indicates an even larger loss relative to the capital employed.
- ‘Majorly Options Buyers’ also recorded negative median returns, although the median return improved from -30% in FY25 to -15% in FY26.
- ‘Majorly Futures Traders’ recorded median returns of -9% in FY25 and -13% in FY26, indicating a modest negative return relative to the peak margin employed.
- ‘Majorly Options Sellers’ recorded the relatively better median returns, improving from -0.4% in FY25 to +1% in FY26. They were the only category with a positive median return in FY26.
- The results show a wide difference in returns across trading strategies. In FY26, the median return for ‘Only Options Buyers’ was 115 percentage points lower than that of ‘Majorly Options Sellers’.
- Overall, options-buying strategies were associated with substantially weaker median returns relative to capital employed than options-selling and futures-oriented strategies.

Table 8: Buyer–Seller Category-wise Median Return on Capital Employed

Category	FY25	FY26
Only Options Buyer	-187%	-114%
Majorly Options Buyer	-30%	-15%
Majorly Futures Trader	-9%	-13%
Majorly Options Seller	-0.4%	+1%

Note: RoCE uses the highest peak margin utilised during the year as a proxy for capital employed. Results for categories with a small number of traders—particularly Majorly Options Sellers and Majorly Futures Traders—should be interpreted with caution (see Section 5.1).

5.6 Capital Employed Relative to Declared Annual Income

- For most traders, capital employed in derivatives remained below their declared annual income. However, a small but notable segment deployed capital exceeding their reported annual income.
- Among the 2,510 traders analysed, 141 traders (about 6%) employed derivatives capital higher than their declared annual income. The analysis identifies this segment but does not establish the source or nature of the capital deployed.

5.7 Trading Intensity by Age, Income, City, Turnover, and Portfolio

- Trading intensity — the ratio of derivatives turnover to underlying equity portfolio — declines consistently with age. Trading intensity was substantially higher among younger and lower-income traders. Traders below 30 years generated derivatives turnover of about **93 times** their equity portfolio, compared with around **20 times** among traders above 50 years. Similarly, intensity declined from about **75 times** for traders earning below ₹ 5 lakh to 14 times for those earning above ₹ 1 crore.
- B30-city traders also recorded substantially higher trading intensity than T30-city traders — about 72 times versus 29 times their equity portfolio value.
- The strongest variation was observed by portfolio size. Small-portfolio traders generated turnover of about 1,665 times their portfolio value, compared with 8 times among large-portfolio traders. The corresponding loss-maker shares were 89.7% and 62.9%, respectively.
- Trading intensity and turnover were closely aligned: large-turnover traders generated turnover equivalent to about 68 times their portfolio value, compared with 6 times among medium-turnover traders and 0.1 times among small-turnover traders. The share of loss-makers also increased from 86.4% to 89.7% across these turnover categories.

Chart 3: Trading Intensity by Age Category

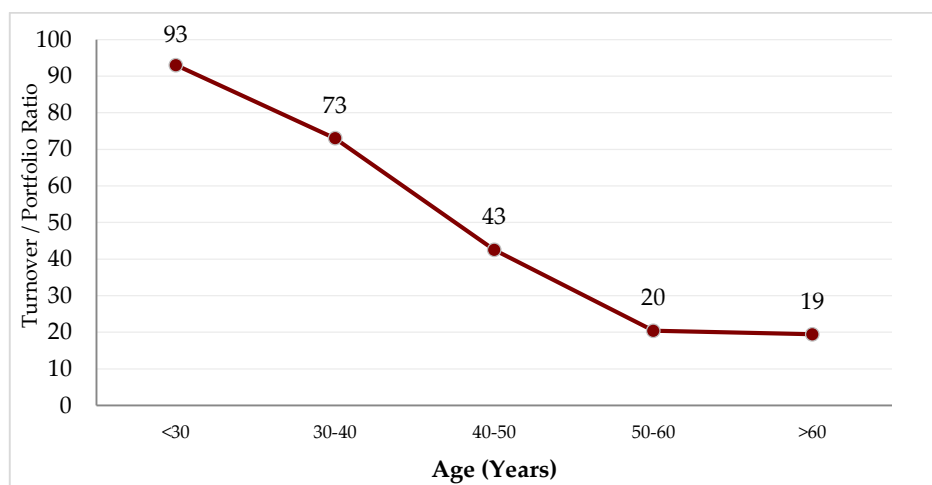


Chart 4: Trading Intensity by Income Category

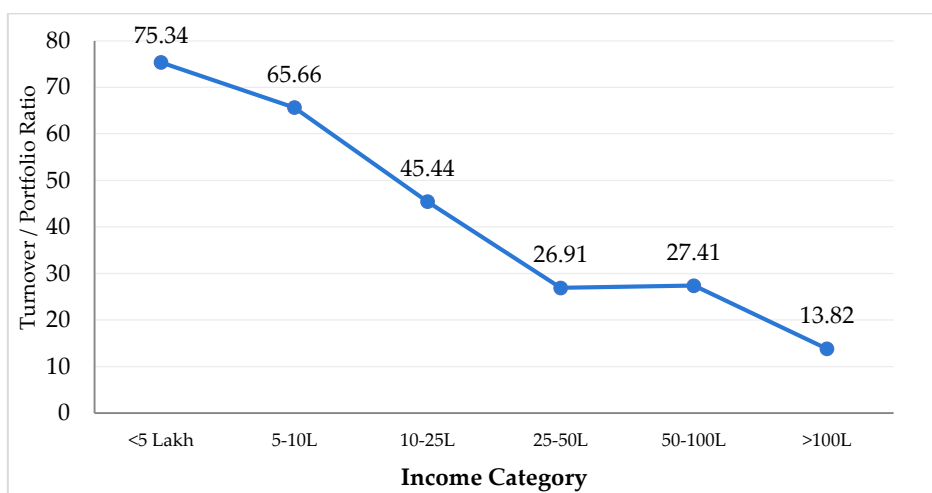


Table 9: Trading Intensity by Turnover Size

Category	Trading Activity / Portfolio (x)	Loss Makers (%)
Small-Turnover	0.1	86.40%
Medium-Turnover	5.71	87.80%
Large-Turnover	67.65	89.70%

Notes: Turnover categories: Small (< ₹1 lakh annually), Medium (₹1 lakh–₹1 crore annually), Large (> ₹1 crore annually).

Table 10: Trading Intensity by Portfolio Size

Category	Trading Activity / Portfolio (x)	Loss Makers (%)
Small-Portfolio	1,664.93	89.70%
Medium-Portfolio	43.56	82.00%
Large-Portfolio	8.2	62.90%

Notes: Portfolio categories: Small (< ₹1 lakh holding), Medium (₹1 lakh–₹1 crore holding), Large (> ₹1 crore holding).

5.8 Summary of Observations by Trading Intensity

- Across age, income and portfolio-size categories, higher trading intensity (higher turnover related to equity portfolio) was generally associated with a higher share of loss-makers.
- High trading intensity relative to available capital was consistently associated with poorer trading outcomes. This pattern was evident across age, income and portfolio-size groups.
- Small-portfolio traders stood out most sharply: despite holding relatively little equity wealth, they generated turnover many times the value of their portfolios and recorded among the highest loss-maker shares.
- The turnover–capital relationship was particularly pronounced: at a given capital level, higher turnover was generally associated with a higher share of loss-makers, while at a given turnover level, higher capital was associated with a lower share of loss-makers.
- Higher trading intensity was associated not only with a larger share of loss-makers but also with larger losses per trader, with the relationship evident across turnover and trading-frequency measures.

Table 11: Trading Intensity and Loss Rate by Age, Income, Portfolio, and Related Dimensions

Dimension	Section	Key finding
Age	Age-wise trading intensity (turnover/portfolio ratio)	Traders below 30 had the highest turnover-to-portfolio ratio (about 93x) and one of the highest loss-maker shares (about 89%). Trading intensity and loss-maker share generally declined with age.
Income	Income-wise trading intensity	Traders with income below ₹5 lakh had the highest turnover relative to portfolio (about 75x) and among the highest loss-maker shares.
Portfolio size	Portfolio-wise trading intensity	Smaller-portfolio traders generated substantially higher turnover relative to portfolio value — approximately 1,665x in the smallest category — and recorded the highest loss-maker shares.

Dimension	Section	Key finding
Capital employed	Trading outcome by turnover and capital employed	For a given capital level, higher turnover was generally associated with a higher share of loss-makers; for a given turnover level, higher capital was generally associated with a lower share of loss-makers.
Trading frequency	Trading outcome by days traded	Traders active on more trading days recorded higher turnover, larger losses and generally higher loss-maker shares than traders active on fewer days.
Turnover	Turnover-wise trading outcomes	The share of loss-makers generally increased with turnover, with the pattern less pronounced at the very lowest turnover levels.
Magnitude of losses	Average loss by turnover/capital/frequency	Higher trading intensity was generally associated with larger average losses per trader , in addition to a higher share of loss-makers.
Age	Age-wise trading intensity (turnover/portfolio ratio)	Traders below 30 had the highest turnover-to-portfolio ratio (about 93x) and one of the highest loss-maker shares (about 89%). Trading intensity and loss-maker share generally declined with age.

SECTION 3: RELATIONSHIP BETWEEN INCOME, CAPITAL EMPLOYED, TURNOVER AND TRADING OUTCOME

5.9 Trading Outcome by Turnover and Capital Employed

- Trading outcomes varied with the relationship between turnover and capital employed, rather than with either measure considered separately. Traders generating high turnover relative to their peak margin recorded the highest shares of loss-makers.
- Within a given capital category, the share of loss-makers generally increased with turnover in both FY25 and FY26. Thus, higher trading activity relative to the capital deployed was accompanied by a higher share of traders recording losses.
- Conversely, within a given turnover category, the share of loss-makers generally declined as capital employed increased. The data therefore shows a clear association between the amount of capital deployed relative to trading activity and the share of traders recording losses.
- A substantial group traded with relatively high turnover despite deploying modest capital. In both FY25 and FY26, more than one-fifth of traders generated annual turnover of ₹ 10 lakh–₹ 1 crore while using peak margin of only ₹ 10,000–₹ 1 lakh. This group recorded loss-maker shares of approximately 94–98%.

Chart 5: % Loss-Makers — Turnover vs. Capital Employed (Peak Margin)

Turnover	Capital Employed (Peak Margin)					
	<10K	10K-1L	1L-5L	5L-10L	10L-1CR	>1CR
<10K	92%	83%				
10K-1L	86%	74%	40%			
1L-5L	92%	81%	45%			
5L-10L	99%	88%	58%			
10L-1CR	98%	94%	80%	42%	32%	
1CR-10CR		98%	92%	78%	67%	
>10CR		100%	97%	91%	78%	50%

- The magnitude of losses also increased with turnover across most capital categories. Higher-turnover groups generally recorded larger average losses per trader, including among traders with relatively higher capital employed.
- Thus, higher turnover was associated not only with a larger share of loss-makers, but also with larger losses per trader. The relationship was evident across most capital categories in both years.

Chart 6: Average Profit per Person — Turnover vs. Capital Employed (Peak Margin)

Turnover	Capital Employed (Peak Margin)					
	<10K	10K-1L	1L-5L	5L-10L	10L-1CR	>1CR
<10K	-Rs. 1,034	-Rs. 1,367				
10K-1L	-Rs. 3,133	-Rs. 7,606	Rs. 3,409			
1L-5L	-Rs. 8,237	-Rs. 14,870	-Rs. 8,894			
5L-10L	-Rs. 15,648	-Rs. 23,926	-Rs. 11,639			
10L-1CR	-Rs. 28,154	-Rs. 62,954	-Rs. 99,348	Rs. 31,948	Rs. 2.02 L	
1CR-10CR		-Rs. 1.94 L	-Rs. 3.24 L	-Rs. 2.38 L	-Rs. 5.34 L	
>10CR		-Rs. 7.44 L	-Rs. 8.53 L	-Rs. 11.28 L	-Rs. 15.32 L	-Rs. 3.73 Cr

- Overall, the data shows that high trading activity relative to capital employed was associated with poorer trading outcomes — both a higher share of loss-makers and larger average losses.
- Results for the highest capital-employed categories, particularly those with peak margin above ₹ 5 lakh, should be interpreted with caution because the number of observations in these categories is relatively limited.

5.10 Trading Outcome by Income and Capital Employed

- Losses remained widespread across all income groups. Higher reported income was not accompanied by a corresponding reduction in the share of loss-makers, with a majority of traders recording losses even among higher-income groups.
- The share of loss-makers was generally highest among traders with annual income below ₹ 10 lakh, particularly in the lower and medium capital-employed categories, where loss-maker shares frequently exceeded 90%.
- Within a given income category, the share of loss-makers generally declined as capital employed increased. This pattern was particularly evident among traders with annual income below ₹ 10 lakh.
- The data therefore shows a stronger association between capital employed and the share of loss-makers than between reported income and trading outcomes. Higher income, by itself, was not accompanied by materially better outcomes.
- The magnitude of losses increased substantially with capital employed, even though the share of loss-makers generally declined at higher capital levels. Thus, higher-capital groups had fewer loss-makers but substantially larger losses per loss-making trader.

Chart 7: % Loss-Makers — Income vs. Capital Employed (Peak Margin)

Income	Capital Employed (Peak Margin)			
	<10K	10K-1L	1L-5L	10L-1CR
<5 Lakh	91%	90%	87%	68%
5-10L	91%	91%	88%	55%
10-25L	69%	80%	86%	64%
>25L	67%	60%	80%	80%

Chart 8: Average Profit per Person — Income vs. Capital Employed (Peak Margin)

Income	Capital Employed (Peak Margin)			
	<10K	10K-1L	1L-5L	10L-1CR
<5 Lakh	-Rs. 6,052	-Rs. 65,741	-Rs. 3.38 L	-Rs. 9.76 L
5-10L	-Rs. 4,379	-Rs. 82,313	-Rs. 4.31 L	-Rs. 7.97 L
10-25L	-Rs. 4,943	-Rs. 1.07 L	-Rs. 4.33 L	-Rs. 17.69 L
>25L	-Rs. 1,014	-Rs. 70,835	-Rs. 4.06 L	-Rs. 22.77 L

- For example, among traders with annual income of ₹ 5–10 lakh, the average loss per trader increased from about ₹ 6,000 among those deploying less than ₹ 10,000 of capital to nearly ₹ 19.6 lakh among those deploying ₹ 10 lakh–₹ 1 crore.
- Across income groups, traders deploying ₹ 10 lakh–₹ 1 crore generally recorded substantially larger average losses than traders in lower capital categories. The data therefore shows that higher capital deployment was associated with a lower share of loss-makers, but substantially larger losses per trader.
- Overall, the variation in trading outcomes was more closely associated with capital employed than with reported income. Within similar income groups, differences in capital deployment were accompanied by substantial differences in both the share of loss-makers and the magnitude of losses.
- Results for the highest capital-employed categories should be interpreted with caution because of the relatively small number of observations.

SECTION 4: BEHAVIOUR OF EDS TRADERS

5.11 Trading Persistence – Long Term Trend

- Analysis of trader cohorts over FY15–FY25 shows a combination of year-on-year continuation, temporary exits and longer-term attrition in EDS participation.
- Across the cohorts, an average of 65% of traders continued trading in the following year, while 35% did not trade in the immediately following year.
- A portion of traders who stopped trading subsequently returned. On average, 6% returned after a one-year gap, with the share declining to 3% after a two-year gap and around 1–2% after longer gaps.
- Around 20% of traders had no further trading activity over the subsequent five years, indicating longer-term attrition from the segment.
- Overall, EDS participation comprises a continuing base of traders alongside regular entry, temporary withdrawal and longer-term exit.

5.12 Trading Persistence – FY25 Cohort (Latest Evidence)

- The FY25 cohort recorded a marked decline in year-on-year continuation. 57% of traders active in FY25 also traded in FY26, while 43% did not trade in FY26.
- The 57% continuation rate was below the long-term cohort average of 65% and represented the lowest continuation rate in the available period except FY15–FY16. Correspondingly, the FY25 cohort recorded the highest immediate non-participation rate in the available data.
- The decline in FY26 participation therefore reflected both lower participation by new traders and lower continuation among existing traders.
- The FY25–FY26 period also coincided with regulatory measures relating to weekly expiries, contract sizes and transaction costs. The data establishes a temporal association but does not establish that these measures caused the higher exit rate.
- Despite the lower continuation rate, more than half (57%) of FY25 traders continued trading in FY26, indicating that a substantial base of existing participants remained active.

Table 12: Trading Persistence by Base Year — Population Data

Base Year	% Traded in Following Year	% Stopped Trading in Following Year	Returned, 1-Yr Gap	Returned, 2-Yr Gap	Returned, 3-Yr Gap	Returned, 4Y Gap	Returned, 5Y Gap	% Exited (5 yrs+)
FY15	58%	42%	5%	3%	2%	2%	2%	23%
FY16	57%	43%	7%	3%	2%	3%	2%	22%
FY17	66%	34%	5%	3%	3%	2%	1%	17%
FY18	65%	35%	6%	4%	3%	2%	1%	18%
FY19	65%	35%	8%	4%	2%	2%	1%	18%
FY20	70%	30%	6%	3%	2%	1%	1%	17%
FY21	74%	26%	5%	3%	2%	1%	—	16%
FY22	68%	32%	7%	3%	1%	—	—	21%
FY23	71%	29%	5%	2%	—	—	—	22%
FY24	69%	31%	4%	—	—	—	—	27%
FY25	57%	43%	—	—	—	—	—	—
Average	65%	35%	6%	3%	2%	2%	1%	20%

5.13 Persistence of First-Time Traders

- The largest reduction in participation among first-time traders occurred during the first year after entry. Of the FY25 first-time traders, 44.1% were still trading after one year. For the FY24 cohort, 37.4% remained active after two years.
- After the initial decline, participation reduced more gradually. Among the older cohorts, 35–38% remained active after 4–6 years, while 27.0% of the FY16 cohort remained active after 10 years.
- Thus, among cohorts that can be tracked for several years, around three in ten first-time traders remained active over the longer term.
- The FY15 cohort recorded 31.0% participation after 11 years, compared with 27.0% for FY16 and 28.7% for FY17. The FY15 figure should be interpreted with caution because FY15 is the first year of the dataset and may include traders who had participated before the period covered by the data.
- The FY24–FY26 cohorts are similarly subject to a limited observation period, and their longer-term participation cannot yet be assessed.

Table 13: Long-Term Participation of First-Time Traders — Population Data

First Traded In	Eligible First-Time Traders (Lakh)	Still Trading (Lakh)	Still Trading (%)	Still Trading after
FY26	20.77	20.77	100.0%	—
FY25	34.26	15.11	44.1%	After 1 year
FY24	43.05	16.10	37.4%	After 2 years
FY23	29.64	11.02	37.2%	After 3 years
FY22	30.13	10.54	35.0%	After 4 years
FY21	14.82	5.62	37.9%	After 5 years
FY20	5.29	1.86	35.1%	After 6 years
FY19	4.62	1.50	32.5%	After 7 years
FY18	3.88	1.17	30.1%	After 8 years
FY17	2.74	0.79	28.7%	After 9 years
FY16	2.94	0.79	27.0%	After 10 years
FY15	7.31	2.26	31.0%	After 11 years

5.14 Persistence of Losses Among Continuing Traders

- Losses were persistent among traders who continued participating after recording losses in the preceding two years.
- In FY24, 91.6% of traders who had recorded losses in both FY22 and FY23 also recorded losses in FY24.
- The corresponding figure increased to 92.0% in FY25 among traders who had recorded losses in both FY23 and FY24.
- In FY26, 90.0% of traders who had recorded losses in both FY24 and FY25 again recorded losses.
- Thus, across the three years, nine out of ten continuing traders with losses in each of the preceding two years recorded another loss in the current year.

Table 14: Persistence of Losses Among Continuing Traders

Year	Loss-Makers in Prior 2 Years, Still Trading (Lakh)	Loss-Makers in Current Year (Lakh)	% Loss-Makers
FY24	18.98	17.40	91.6%
FY25	26.28	24.26	92.0%
FY26	30.91	27.81	90.0%

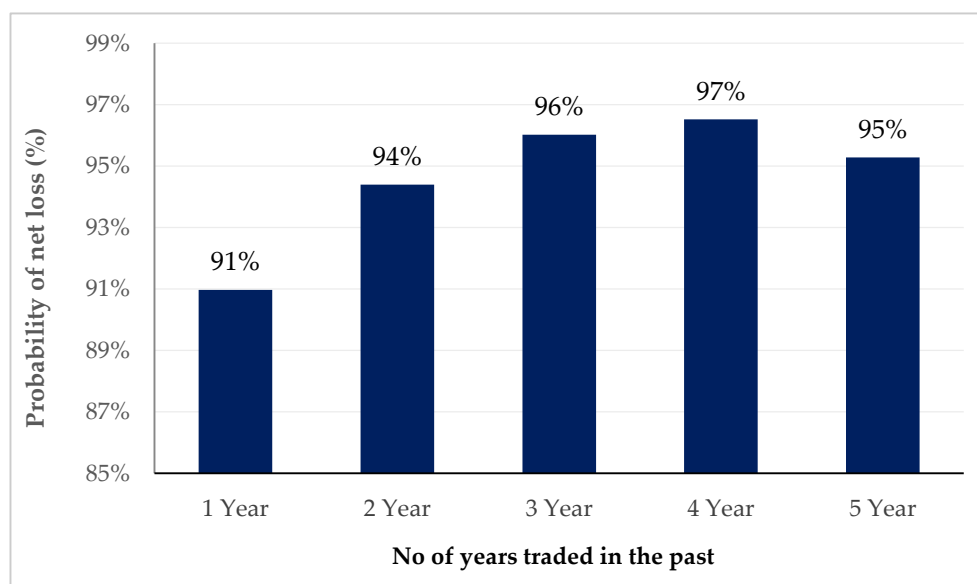
5.15 Trading Outcome by Trading Experience

- Trading experience among FY26 participants remained relatively limited. Around 90% had traded for less than five consecutive years, while only about 1% had traded for ten years or more.
- Loss-making traders accounted for 91.0% of traders with one consecutive year of participation, increasing to 94.4% among those with two years, 96.0% with three years and 96.5% with four years.
- Among traders with five consecutive years of participation, 95.3% recorded a cumulative loss.
- The data therefore shows that longer participation was accompanied by a higher share of traders recording losses, rather than a lower share.

Table 15: Trading Outcome by Consecutive Years of Trading

Consecutive Years Traded	Total Traders (Lakh)	Total Loss-Makers (Lakh)	% Loss-Makers
1	74.90	68.14	90.97%
2	42.46	40.08	94.40%
3	24.01	23.06	96.03%
4	13.19	12.73	96.52%
5	13.10	12.49	95.29%

Chart 9: Probability of Making Losses by Consecutive Years of Trading



- The FY22 cohort provides a similar picture. Among traders active for all five years, 65.6% recorded losses in every year, while only 0.5% recorded profits in every year.
- Average cumulative losses among consistent loss-makers also increased with duration—from ₹ 0.45 lakh for one-year participants to ₹ 13.79 lakh for those active throughout all five years.
- Overall, continued participation did not correspond to improved aggregate trading outcomes. A substantial share of traders continued participating despite repeated losses, with loss-making shares remaining above 90% across all durations.

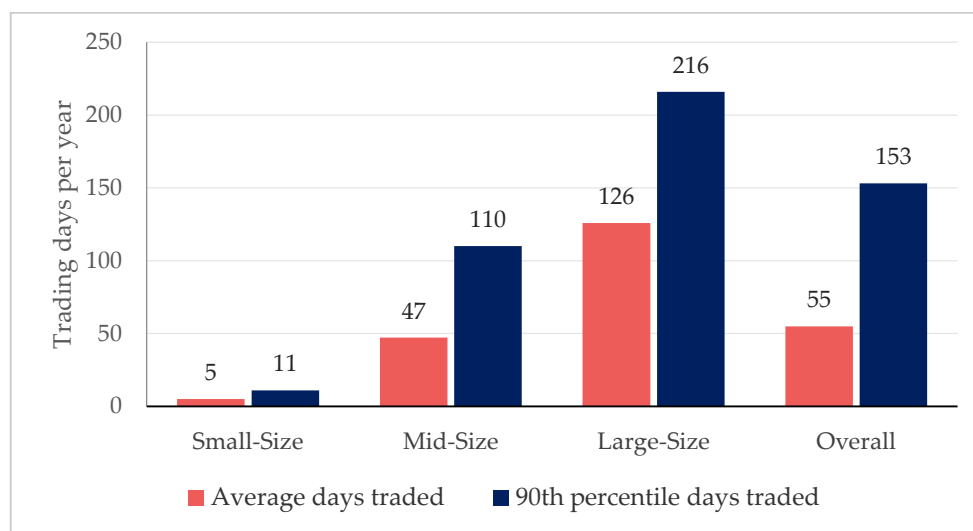
Table 16: Trading Outcomes by Length of Continuous Participation — FY22 Cohort

Years Traded	Traders (Lakh)	% of Total	Consistent Loss-Makers	Consistent Profit-Makers	Avg. Loss, Consistent Losers (₹ Lakh)	Avg. Profit, Consistent Winners (₹ Lakh)	% Loss-Makers (Total P&L<0)
1	8.19	19.0%	90.2%	9.7%	-0.45	0.39	90.2%
2	7.16	16.6%	79.3%	2.2%	-1.39	2.71	93.2%
3	7.00	16.2%	69.0%	0.8%	-2.91	15.64	94.3%
4	7.53	17.5%	65.2%	0.4%	-5.20	28.41	95.5%
5	13.25	30.7%	65.6%	0.5%	-13.79	66.47	95.3%
Total	43.14	100.0%	—	—	—	—	—

5.16 Frequency of Trading Across Turnover Categories

- Trading frequency increased substantially with turnover. Small-Turnover traders, comprising 31% of traders, were active for an average of 5 days in a year, compared with 47 days for Medium-Turnover traders and 126 days for Large-Turnover traders.
- Trading activity was concentrated among a relatively small group of frequent traders. While the average trader was active on 55 days during the year, Large-Turnover traders were active on more than one-third of trading days, on average.
- Higher turnover was accompanied by substantially more frequent participation. Large-Turnover traders therefore differed from Small-Turnover traders not only in the value traded, but also in the frequency of market participation.
- The higher trading frequency was also associated with poorer trading outcomes. Traders with more frequent participation recorded higher average losses and higher shares of loss-makers, linking greater trading intensity with larger adverse outcomes.

Chart 10: Number of Trading Days by Turnover Category



Note: Small-Turnover means annual turnover up to ₹1 lakh; Medium-Turnover means annual turnover between ₹1 lakh and ₹1 crore; Large-Turnover means annual turnover above ₹1 crore.

5.17 Trading Outcome by Number of Days Traded in a Year

- Trading activity increased substantially with the number of days traded. Traders active for more than 100 days had median annual turnover of about ₹ 80.3 lakh, compared with only ₹ 7,916 among traders active for fewer than 10 days.
- Median losses also increased with trading frequency, from about ₹ 654 among traders active for fewer than 10 days to ₹ 76,722 among those active for more than 100 days.
- The share of loss-makers was high across all frequency groups, ranging from 83.3% among traders active for fewer than 10 days to 89.4% among those active for more than 100 days.

Table 17: Trading Outcome by Number of Days Traded in a Year

Days Traded	Traders	Turnover (₹ Crore)	Net P&L (₹ Lakh)	Median Turnover (₹)	Median P&L (₹)	% Loss- Makers
<10 days	84	25	-18	7,916	-654	83.3%
10–25 days	127	6	-12	62,584	-2,665	85.8%
25–50 days	150	24	-27	2,17,277	-5,297	84.7%
50–100 days	218	108	-113	8,65,498	-19,183	90.8%
>100 days	414	2,341	-1,144	80,28,408	-76,722	89.4%
Total	993	2,504	-1,314	–	–	–

- Traders active for more than 100 days accounted for only 42% of traders, but generated 94% of turnover and 87% of total losses. In contrast, the remaining 58% of traders generated only 7% of turnover and 13% of losses.
- Average loss per trader was also substantially higher among those active for more than 100 days: ₹ 2.76 lakh, compared with ₹ 0.22 lakh among traders active for 100 days or fewer.
- Thus, higher trading frequency was associated primarily with much greater trading activity and larger losses, rather than a large difference in the share of loss-makers: loss-maker shares were 87.0% among traders active up to 100 days and 89.4% among those active for more than 100 days.
- The data shows a clear association between **frequency of participation, trading intensity and magnitude of losses**. Traders active on more than 100 days represented less than half of the sample but accounted for almost all turnover and a disproportionate share of losses.

Table 18: Trading Outcome by Number of Days Traded in a Year — Two Slabs

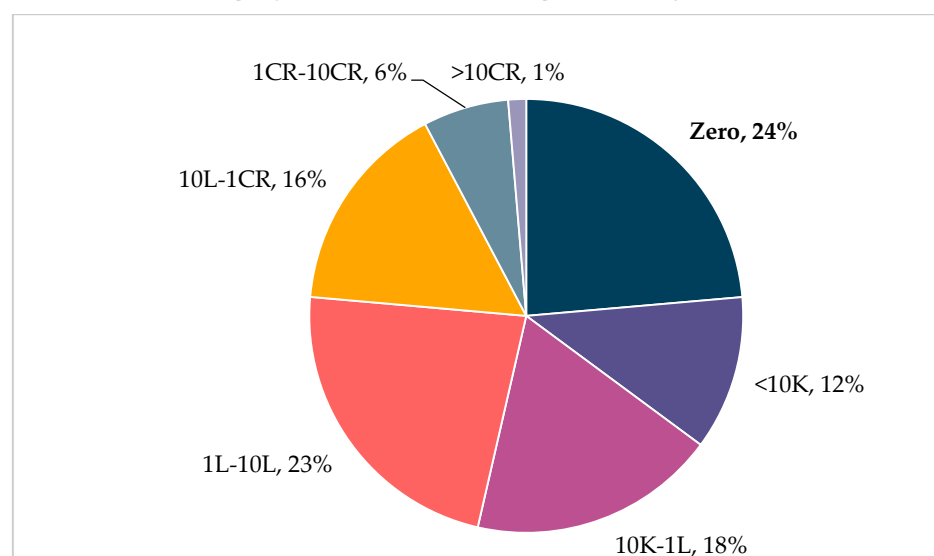
Days Traded	% Share of Traders	% Share of Losses	% Share of Turnover	% Loss Makers	Avg. Loss/Person (₹ Lakh)
≤100 days	58%	13%	7%	87.00%	-0.22
>100 days	42%	87%	94%	89.40%	-2.76
Total	100%	100%	100%	88.00%	-1.32

SECTION 5: CASH MARKET ACTIVITY OF EDS TRADERS

5.18 Cash Market Participation of EDS Traders

- Cash-market participation among EDS traders remained limited in FY26. About **18.6 lakh traders (24% of all the FY26 traders)** recorded **no cash-market turnover** during the year.
- More than **54% of EDS traders recorded cash-market turnover below ₹1 lakh**, including those with zero cash turnover, while only about **8% recorded cash turnover above ₹1 crore**. In comparison, about **20% of traders recorded EDS turnover above ₹1 crore**.
- Thus, a substantial part of the EDS trader base had **limited or no activity in the underlying cash market**, while higher turnover was more concentrated in the derivatives segment.

Chart 11: Percentage of EDS Traders Trading in Cash by Turnover – FY26



5.19 Trading Outcomes by Relative Cash and Derivatives Activity

- Traders were classified according to their **cash-market turnover relative to their EDS turnover** to examine how the balance between cash and derivatives activity was associated with trading outcomes.
- **Loss-maker proportions declined progressively as cash-market activity increased relative to EDS activity.** In FY26, **90%** of traders with cash turnover below 10% of EDS turnover were loss-makers, compared with **84%** among traders whose cash turnover was more than five times their EDS turnover.
- The same pattern was observed in FY25, with the loss-maker proportion declining from **94% to 87%** across these two categories.

- **Average losses also declined with greater cash-market participation.** In FY26, average loss per trader was about ₹ 2.07 lakh where cash turnover was below 10% of EDS turnover, compared with about ₹ 15,000 where cash turnover exceeded EDS turnover by more than five times.
- The relationship was also reflected in trading intensity. Average EDS turnover declined from about ₹ 5.44 crore per trader in the lowest cash-participation category to about ₹ 10 lakh among traders whose cash turnover exceeded EDS turnover by more than five times.
- Overall, traders whose activity was **more concentrated in EDS recorded higher loss rates and larger average losses**, while greater participation in the cash market was associated with lower losses.

Table 19: Percentage of Loss-Makers by Cash Turnover (as % of EDS Turnover) Category

Cash / EDS Turnover	Loss-makers FY25	Loss-makers FY26
0%_cash	93%	90%
<10%	94%	90%
10-20%	92%	88%
20-50%	91%	87%
50-75%	90%	86%
75-100%	90%	86%
1-2x	90%	85%
2-5x	88%	84%
>5x	87%	84%

Table 20: Average Per Person Loss by Cash Turnover (as % of EDS Turnover) Category

Cash / EDS Turnover	Average Per Person Profit / Loss (in ₹) FY25	Average Per Person Profit / Loss (in ₹) FY26
0%_cash	-1,50,179	-1,50,813
<10%	-2,27,604	-2,07,305
10-20%	-1,37,401	-1,24,535
20-50%	-1,04,348	-93,115
50-75%	-84,195	-73,994
75-100%	-68,653	-64,872
1-2x	-57,078	-52,979
2-5x	-41,394	-38,313
>5x	-14,618	-15,450

5.20 Trading Outcomes by Cash Market Participation (FY25-FY26)

- The relationship between cash-market participation and trading outcomes was also observed **within individual EDS turnover categories**. Across almost all turnover categories, traders with higher cash-market turnover recorded lower proportions of loss-makers.
- For example, among traders with EDS turnover of **₹ 10 lakh–₹ 1 crore in FY26**, **91%** of those with zero cash-market turnover were loss-makers, compared with **82%** among those with cash turnover above ₹ 10 crore.
- The pattern was observed across other EDS turnover categories as well. However, **losses remained widespread even among traders with substantial cash-market activity**, with a majority of traders recording losses across the categories.
- Within a given level of cash-market activity, **higher EDS turnover was generally accompanied by a higher proportion of loss-makers**. Thus, the data shows a consistent association between greater derivatives activity and poorer trading outcomes, even among traders participating in the cash market.
- The broadly similar pattern in FY25 and FY26 indicates that the relationship was **not limited to a single year**.

Chart 12: Percentage of Loss-Makers - Cash Turnover vs Equity Derivatives Turnover

Cash Turnover	Equity Derivatives Turnover				
	<10K	10K–1L	1L–5L	5L–10L	10L–1CR
<10K	85%	88%	91%	93%	94%
10K–1L	86%	90%	93%	95%	92%
1L–5L	83%	88%	91%	94%	92%
5L–10L	79%	85%	90%	91%	90%
10L–1CR	76%	81%	88%	87%	86%
1CR–10CR	73%	79%	86%	86%	83%
>10CR	71%	75%	82%	84%	83%

5.21 Shift in Trading Preference from Cash to Derivatives (FY22-FY26 population)

- Most investors entered EDS **after or alongside participation in the cash market**. Among the cumulative FY22–FY26 cohort of **1.68 crore investors**, about **60% traded in cash before entering EDS**, 37% began trading in both segments in the same year, and only 3% entered EDS before trading in cash.
- At the same time, the number of investors participating **exclusively in derivatives** increased substantially. The number of such investors rose from fewer than **1 lakh before COVID-19 to more than 18 lakh in FY26**.
- In FY26, about **18.6 lakh traders, or 23% of the 81.6 lakh EDS trader base**, participated **only in derivatives and had no cash-market turnover**.
- Among the more recent FY25–FY26 active investor base of **1.26 crore**, about **14% traded only in derivatives**, while 58% participated in both cash and derivatives.
- The composition of market participation has therefore shifted towards greater derivatives-only activity. Within the study sample, the share of investors trading **only in cash declined from around 70% pre-COVID to about 30% in FY26**, while the share trading **only in derivatives increased from around 3% to about 15%**.

Chart 13: Trading Preference of EDS Traders — Only-Derivatives vs. Also-Cash

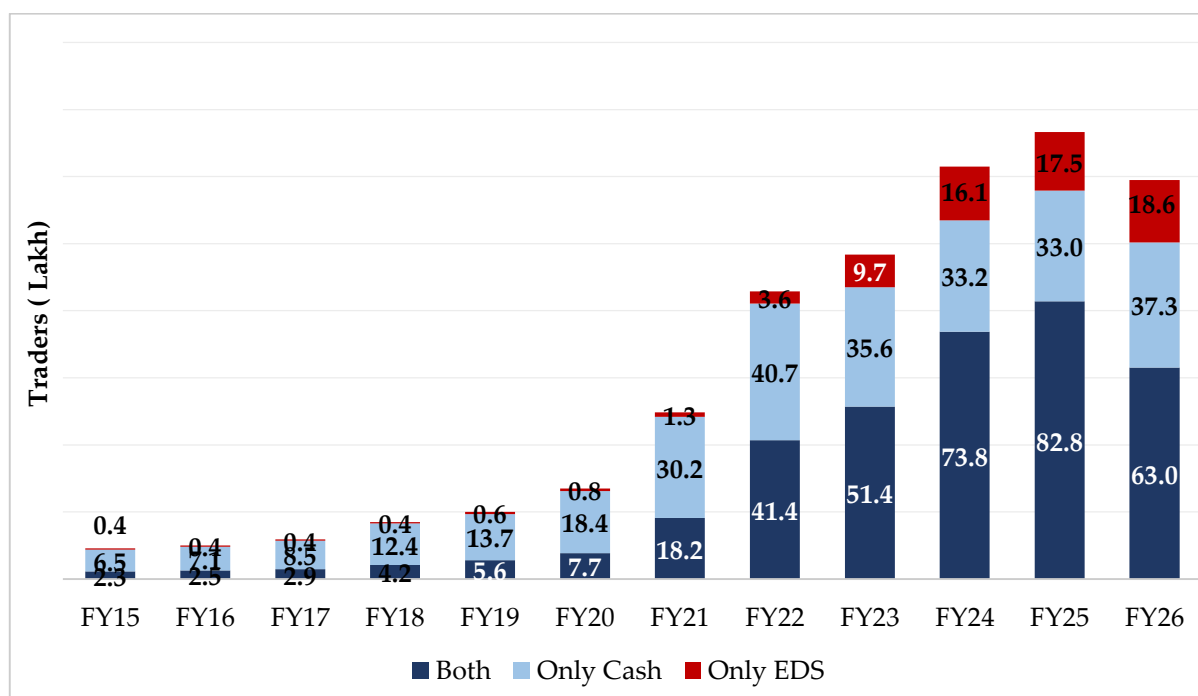
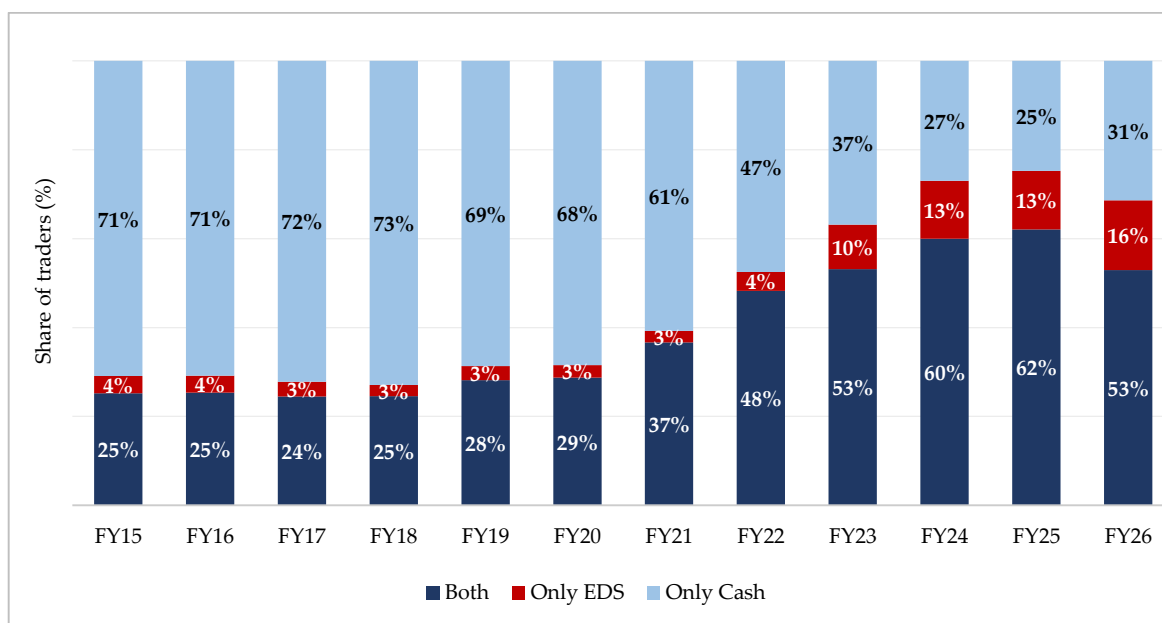


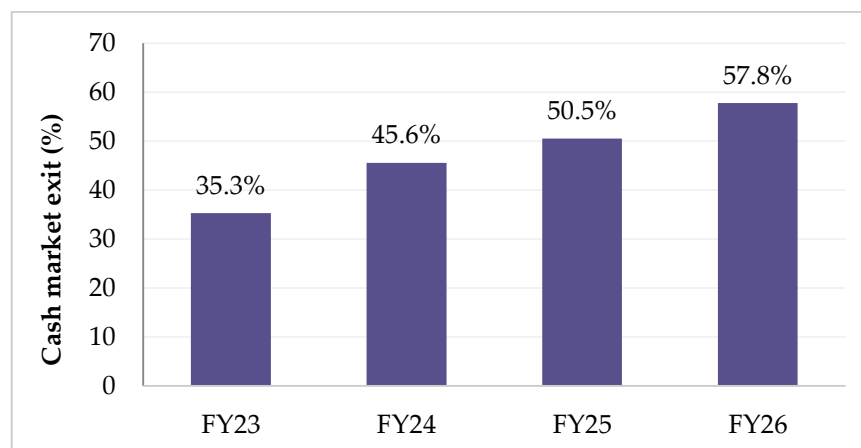
Chart 14: Shift in Trading Preference of EDS Traders, Pre-COVID to FY26



5.22 Cash Market Behaviour After Exiting EDS

- Exit from EDS was frequently accompanied by a decline in cash-market participation. Among traders active in FY22 who subsequently stopped trading in EDS, about **35% had also stopped trading in the cash market by FY23**.
- The proportion increased over time. By FY26, about **58% of FY22 EDS traders who had exited EDS had also stopped trading in the cash market**.
- Thus, for a substantial proportion of traders who exited EDS, the exit was accompanied by **withdrawal from the cash market as well**, rather than a shift from derivatives to continued cash-market participation.

Chart 15: Cash Market Exit of FY22 EDS Traders After Quitting EDS

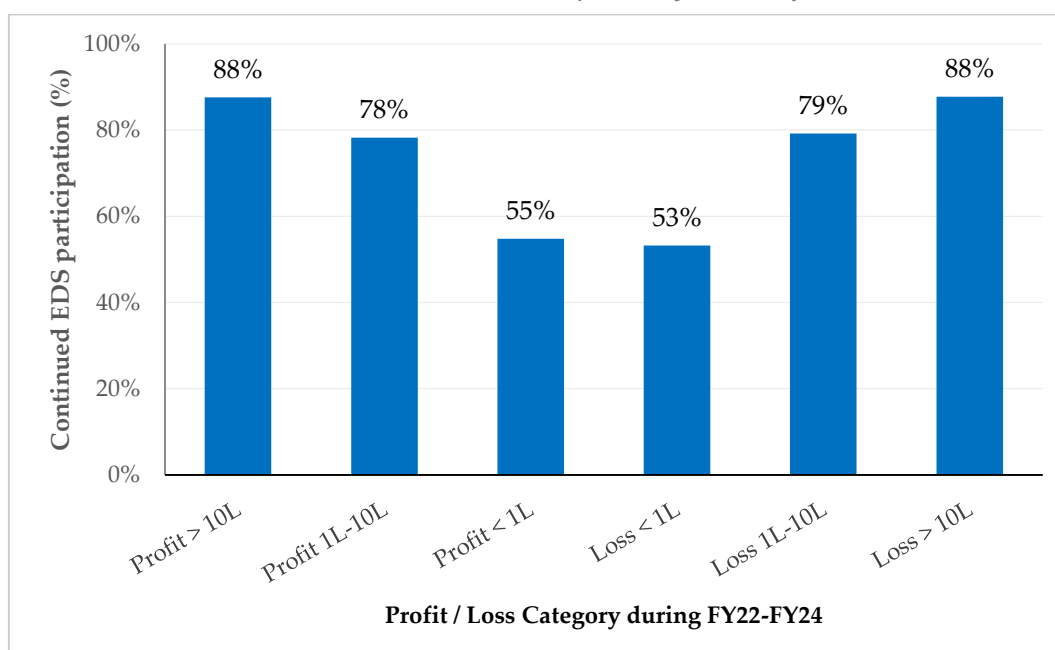


SECTION 6: TRADING OUTCOMES BASED ON PAST TRADING BEHAVIOUR

5.23 Probability of Continued Participation in EDS (Based on Past Performance)

- Continued participation was higher among traders with larger past gains or losses. Around 88% of traders who had either earned more than ₹10 lakh or incurred losses exceeding ₹10 lakh during FY22–FY24 continued trading in FY25–FY26.
- In comparison, continuation was lower among traders with relatively smaller past outcomes. Only about 53–55% of traders whose cumulative profit or loss was below ₹1 lakh continued trading.
- Thus, continued participation was associated more closely with the **magnitude of past trading outcomes** than with whether the outcome was a profit or a loss.

Chart 16: Continued F&O Participation by Past Performance



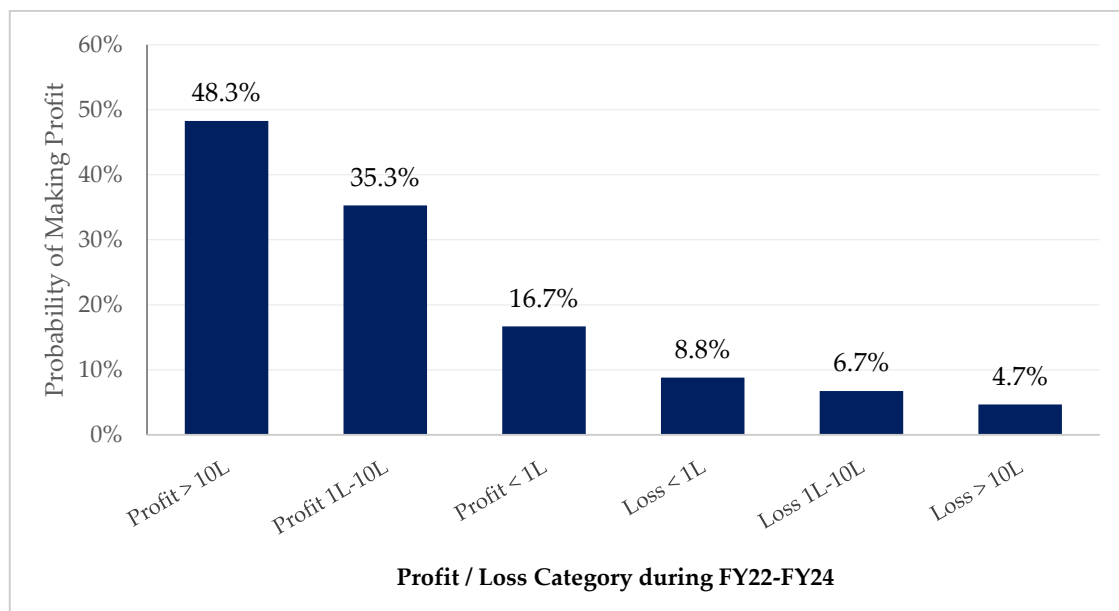
5.24 Persistence of Trading Outcomes (Based on Past Performance)

- Past trading outcomes were strongly associated with subsequent outcomes. Among traders who had incurred cumulative losses exceeding ₹10 lakh during FY22–FY24, more than 95% remained loss-making in FY25–FY26.
- In contrast, traders with a history of profits recorded a substantially higher share of subsequent profit-makers. Among those who had earned more than ₹10 lakh during FY22–FY24, about 48% earned profits again in FY25–FY26, compared with 17% among traders

whose earlier profits were below ₹ 1 lakh and 35% among those with prior profits of ₹ 1–10 lakh.

- The persistence was therefore asymmetric: large past profits were associated with a materially higher share of subsequent profit-makers, while large past losses were followed predominantly by further losses.

Chart 17: Profit-Makers in FY25–FY26 by Past Trading Performance



5.25 Quarterly Profit and Loss Asymmetry

- Quarterly trading outcomes were predominantly loss-making. Of approximately **4.02 crore PAN-quarter observations**, only **15.4% were profitable**, while **84.6% recorded losses**.
- Losses were also larger than gains in a typical quarter. The **median profit in a profitable quarter was ₹ 4,366**, compared with a **median loss of ₹ 10,525** in a loss-making quarter. Thus, the median loss was **more than twice the median profit**.
- A similar pattern was observed at the trader level. Among approximately **35.5 lakh traders who experienced both profitable and loss-making quarters**, **78.7% had an average loss per loss-making quarter that exceeded their average gain per profitable quarter**. The corresponding proportion was above **80% among traders active for five or more quarters**.
- Overall, traders experienced losses **more frequently and in larger amounts** than profits during the study period.

Table 21: Quarterly Profit and Loss Pattern

Particulars	Value
Total PAN-quarter observations	4.02 crore
Profit-making quarters	15.4%
Loss-making quarters	84.6%
Median profit (winning quarter)	₹ 4,366
Median loss (losing quarter)	₹ 10,525

Table 22: Comparison of Gains and Losses at Client Level

Particulars	Value
Traders having both winning and losing quarters (n)	35.5 lakh
Average gain smaller than average loss (% of n)	78.7%
Median gain smaller than median loss (% of n)	74.3%

5.26 Temporary Exit from Trading Following Quarterly Losses

- Quarter-to-quarter participation showed substantial movement in and out of the derivatives segment. Across the study period, **28–40% of traders active in one quarter did not trade in the immediately following quarter.**
- The highest quarterly exit was recorded in FY25Q4, when **40% of traders active in the preceding quarter did not trade in the following quarter.** This coincided with the period following regulatory measures introduced during FY25, including changes relating to weekly index expiries and Securities Transaction Tax (STT). **The analysis does not establish a causal relationship.**
- Recent losses were common among traders who subsequently stopped trading. Across the quarters, **86–89% of traders who stopped trading had incurred a loss in the immediately preceding quarter.**
- For example, in FY26Q4, **10.6 lakh of the 12.3 lakh traders who stopped trading had recorded a loss in the preceding quarter, representing 86%.**
- These figures show that **trading discontinuation was frequently preceded by a loss in the immediately preceding quarter.**

Table 23: Percentage of Traders Temporarily Exiting Every Quarter

Quarter	Traders Stopping Trading	% of Traders Exiting (Compared to previous Quarter)
FY25Q2	19.3 lakh	31%
FY25Q3	20.7 lakh	34%
FY25Q4	21.9 lakh	40%
FY26Q1	14.4 lakh	32%
FY26Q2	13.8 lakh	32%
FY26Q3	13.5 lakh	31%
FY26Q4	12.3 lakh	28%

Table 24: Traders Exiting after Losses

Quarter	Traders Stopping	Had Loss in Previous Quarter	% Traders Stopping (After the loss in the previous quarter)
FY25Q2	19.3 lakh	17.1 lakh	88%
FY25Q3	20.7 lakh	18.4 lakh	89%
FY25Q4	21.9 lakh	19.5 lakh	89%
FY26Q1	14.4 lakh	12.7 lakh	89%
FY26Q2	13.8 lakh	11.9 lakh	86%
FY26Q3	13.5 lakh	11.9 lakh	88%
FY26Q4	12.3 lakh	10.6 lakh	86%

5.27 Magnitude of Losses Prior to Trading Exit

- The magnitude of losses immediately preceding exit was substantially larger than the profits earned by the same traders in earlier profitable quarters.
- Among approximately **16.2 lakh traders who incurred a loss and subsequently stopped trading, the median loss in the final trading quarter was 2.2 times their average profit across preceding profitable quarters.** For the top 10% of traders, the final-quarter loss exceeded **30 times** their average historical profit.
- The difference was even larger when the **maximum historical loss** was considered. Among traders with both profit and loss histories, the **median maximum loss was nearly five times**

their average historical profit, while the corresponding ratio for the top 10% exceeded **73 times**.

- The gap between losses and earlier profits also increased over time. The median ratio of maximum historical loss to average preceding profit rose from about **3 times for traders exiting in FY25Q4 to more than 6 times for traders exiting in FY26Q4**.
- Overall, traders who discontinued participation were frequently preceded by **losses substantially larger than the profits they had earned in earlier profitable quarters**. This pattern indicates a strong association between large adverse trading outcomes and subsequent exit from the derivatives segment.

Table 25: Previous Loss Relative to Historical Profits

Days Traded	Number of Traders ** stopped trading due to losses in previous quarter	Median
Ratio of Previous-quarter loss / Average profit in preceding quarters	16.22 lakh	2.23x
Ratio of Maximum historical loss ##/ Average profit in preceding quarters	11.32 lakh	4.94x

*Note: ** The sample includes all the traders, a) who have stopped trading because of losses in previous quarters and b) who have experience both profits and losses during FY25-FY26. Traders experiencing highest loss in the last quarter. Out of 16.32 lakh traders, 11.32 lakh experienced highest loss in the last quarter before stopping.*

SECTION 7: SUBSEQUENT EQUITY WEALTH / PORTFOLIO HOLDINGS OF EDS TRADERS

5.28 Subsequent Equity Wealth of Loss-Making EDS Traders

- Among approximately 1.10 crore traders who incurred losses in EDS during FY22–FY24, the subsequent equity portfolio was small relative to their cumulative EDS losses. For 77% of these traders (84.3 lakh), the equity portfolio at the end of FY26 was less than 25% of their cumulative EDS losses.
- A further 6% of loss-making traders had equity portfolios between 25% and 100% of their cumulative EDS losses, while 18% had portfolios larger than their cumulative EDS losses.
- Thus, the equity portfolio at the end of FY26 exceeded the cumulative EDS losses for only 18% of loss-making traders. For the remaining 82%, the portfolio was either smaller than or broadly comparable to the losses incurred during FY22–FY24.
- The findings indicate that, for the large majority of loss-making EDS traders, subsequent equity holdings were small relative to their cumulative derivatives losses. However, the analysis covers only equity portfolio holdings and does not include other financial assets, liabilities, income or consumption. It therefore should not be interpreted as a measure of overall household wealth.

Table 26: Cumulative EDS Losses Relative to Equity Portfolio of Loss-Making Traders

Relationship between Equity Portfolio and Cumulative EDS Loss	Traders (lakh)	Share of loss-making traders
Portfolio = > 100% of Loss Amount	19.34	18%
Portfolio = 50 - 100% of Loss	3.18	3%
Portfolio = 25 - 50% of Loss	2.81	3%
Portfolio = 0 - 25% of Loss	84.33	77%
Total	109.67	100%

Notes: Portfolio is considered at the end of March 2026; Loss-Amount is net loss of loss-makers during FY22-FY24

5.29 Equity Portfolio Holdings of Historical EDS Traders

- The analysis also examined equity portfolio holdings of traders who participated in EDS during FY22–FY24, based on their cumulative net profit or loss during this period. Portfolio holdings were measured at the end of FY25 and FY26.
- **A clear association was observed between historical EDS outcomes and subsequent equity portfolio size.** Median equity portfolios were substantially larger among traders with higher

cumulative EDS profits, while traders with EDS losses or relatively small profits had very low median portfolio holdings.

- Among traders who earned more than ₹ 1 crore from EDS during FY22–FY24, the median equity portfolio was ₹1.29 crore at the end of FY25 and ₹1.08 crore at the end of FY26. The corresponding median portfolios were ₹ 58.3 lakh and ₹ 50.5 lakh for traders earning ₹ 50 lakh–₹ 1 crore, and ₹ 19.4 lakh and ₹ 17.1 lakh for those earning ₹ 10–50 lakh.
- In contrast, traders who incurred EDS losses had very low median equity portfolios, even where the cumulative losses were substantial. Among traders with cumulative EDS losses exceeding ₹ 1 crore, the median equity portfolio was only ₹ 172 in FY25 and ₹ 138 in FY26. For traders with losses between ₹ 1 lakh and ₹ 1 crore, the median portfolio was only around ₹ 104–₹ 126.
- The difference was also evident among traders with smaller profits. Traders earning less than ₹ 1 lakh had median portfolios ranging from zero to ₹ 280, compared with ₹ 2.14 lakh among those earning ₹ 1–10 lakh, ₹ 19.4 lakh among those earning ₹ 10–50 lakh, and ₹ 1.29 crore among those earning more than ₹ 1 crore in FY25.
- Overall, meaningful equity portfolio holdings were concentrated among traders with higher historical EDS profits. Traders with EDS losses, including those with substantial cumulative losses, generally had very small median equity portfolios

Table 27: Current Equity Portfolio of EDS Traders during FY22-FY24

Cumulative EDS outcome	Traders	Median equity portfolio FY25	Median equity portfolio FY26	75th Percentile Equity Portfolio FY26	90th Percentile Equity Portfolio FY26
Loss > ₹ 1 crore	10749	172	138	85,796	₹ 55.7 lakh
Loss ₹ 50 lakh–₹ 1 crore	27499	104	114	40,113	₹ 19.6 lakh
Loss ₹ 10–50 lakh	356641	104	104	41,364	₹ 9.5 lakh
Loss ₹ 1–10 lakh	2336068	126	100	54,176	₹ 4.98 lakh
Loss ₹ 10K–₹ 1 lakh	3948250	–	–	13,682	₹ 2.01 lakh
Loss < ₹ 10K	3876342	–	–	119	48,841
Profit < ₹ 10K	461008	–	–	12,109	₹ 3.15 lakh
Profit ₹ 10K–₹ 1 lakh	182564	280	121	₹ 3.06 lakh	₹ 19.0 lakh
Profit ₹ 1–10 lakh	96445	₹ 2.14 lakh	₹ 1.48 lakh	₹ 20.72 lakh	₹ 70.9 lakh
Profit ₹ 10–50 lakh	23166	₹ 19.4 lakh	₹ 17.1 lakh	₹ 81.9 lakh	₹ 2.29 crore
Profit ₹ 50 lakh–₹ 1 crore	3279	₹ 58.3 lakh	₹ 50.5 lakh	₹ 2.01 crore	₹ 5.20 crore
Profit > ₹ 1 crore	2521	₹ 1.29 crore	₹ 1.08 crore	₹ 5.15 crore	₹ 15.2 crore

5.30 Losses as a Percentage of Equity Portfolio

- The analysis shows a large divergence between cumulative EDS losses and subsequent equity portfolio holdings. Among traders with cumulative EDS losses exceeding ₹ 1 crore during FY22–FY24, the median cumulative loss was approximately ₹ 1.43 crore, while the median equity portfolio at the end of FY26 was only ₹ 138. Similarly, traders with cumulative losses of ₹ 10–50 lakh had a median loss of ₹ 16.2 lakh, against a median FY26 equity portfolio of only ₹ 104.
- The contrast is markedly different for traders with cumulative EDS profits. Traders with profits exceeding ₹ 1 crore had a median cumulative profit of ₹ 1.76 crore and a median FY26 equity portfolio of ₹ 1.08 crore. Similarly, traders with profits of ₹ 50 lakh–₹ 1 crore had a median cumulative profit of ₹ 66.6 lakh and a median equity portfolio of ₹ 50.5 lakh.
- The relationship is also visible in the ratio of cumulative EDS outcome to subsequent equity portfolio. For traders with cumulative losses exceeding ₹ 1 crore, the median loss was over 1 lakh times the median FY26 equity portfolio. In contrast, among traders with profits exceeding ₹ 1 crore, cumulative profit was about 1.6 times the median FY26 equity portfolio.
- Across the categories, higher cumulative EDS profits were associated with substantially larger subsequent equity portfolios, whereas substantial cumulative EDS losses were associated with very small median equity portfolios. This association is particularly pronounced among traders at the higher end of the profit and loss distribution.
- These findings should be interpreted as an association rather than a causal relationship. The analysis does not establish that EDS losses reduced traders' overall wealth or that EDS profits resulted in the subsequent equity portfolio holdings. The analysis is limited to the equity portfolio observed at the end of FY26 and does not capture other financial assets, liabilities, income, consumption or transfers.

Table 28: Ratio of Profits/Losses relative to Equity Portfolio

Cumulative EDS outcome FY22–FY24	Median cumulative EDS outcome	Median FY26 equity portfolio	Ratio of Net Profit to median portfolio
Loss > ₹ 1 crore	-₹ 1.43 crore	138	-1,03,417x
Loss ₹ 50 lakh–₹ 1 crore	-₹ 64.2 lakh	114	-56,336x
Loss ₹ 10–50 lakh	-₹ 16.2 lakh	104	-15,547x
Loss ₹ 1–10 lakh	-₹ 2.33 lakh	100	-2,330x
Profit ₹ 10K–₹ 1 lakh	27608	121	228x
Profit ₹ 1–10 lakh	₹ 2.49 lakh	₹ 1.48 lakh	1.69x
Profit ₹ 10–50 lakh	₹ 17.8 lakh	₹ 17.1 lakh	1.04x
Profit ₹ 50 lakh–₹ 1 crore	₹ 66.6 lakh	₹ 50.5 lakh	1.32x
Profit > ₹ 1 crore	₹ 1.76 crore	₹ 1.08 crore	1.63x

Note: The ratio compares the median cumulative EDS outcome with the median equity portfolio for each category. It should not be interpreted as a return on portfolio or as a measure of wealth creation.

6. Key Behavioural Patterns Observed

1. Higher trading intensity was consistently associated with poorer outcomes — higher turnover, more trading days, and higher turnover relative to portfolio were all associated with higher loss rates and larger losses.
2. Trading experience did not improve outcomes; the probability of loss remained high even after several consecutive years of trading.
3. Many traders continued trading despite repeated losses — around 90% of traders who lost money in the previous two consecutive years lost again after continuing to trade.
4. Lower-income and younger traders generally showed higher trading intensity relative to their cash-market investment, recording substantially higher turnover-to-portfolio ratios and indicating greater speculative activity.
5. Trading outcomes depended on the relationship between turnover and capital employed — traders generating high turnover with relatively low capital generally recorded poorer outcomes than those deploying relatively higher capital for similar trading activity.
6. Trading experience did not materially improve outcomes. Loss rates remained high even among traders with several consecutive years of participation.
7. Trading behaviour exhibited strong persistence. Many traders continued participating despite repeated losses, and losses frequently persisted across successive years.
8. Quarterly analysis indicates that losses were not only more frequent than gains, but for most traders, losses during loss-making quarters exceeded gains earned during profitable quarters.
9. Subsequent equity accumulation was limited among most loss-making EDS traders. Among approximately 1.10 crore loss-making traders during FY22–FY24, 77% had subsequent equity portfolios below 25% of their cumulative EDS losses, while only 18% had portfolios larger than their cumulative losses. This indicates that, for most loss-making traders, subsequent equity holdings were relatively small compared with the losses previously incurred in derivatives.

7. Concluding Observations

1. The study indicates that equity derivatives trading by individual investors is characterized by **high trading intensity, particularly in short-duration options contracts, with a large proportion of trading concentrated in contracts nearing expiry.**
2. Trading activity is predominantly concentrated among relatively young investors, lower-income groups and traders with relatively small underlying equity portfolios. These groups also exhibit higher trading intensity relative to their financial resources.
3. A significant proportion of traders generate very high derivatives turnover despite deploying relatively small amounts of capital. Trading turnover is often many times larger than both the capital employed and the value of the underlying investment portfolio.
4. Across multiple dimensions of trading behaviour—including trading intensity, trading frequency, trading experience and capital deployment—higher trading intensity is generally associated with **a higher incidence of losses.**
5. Although traders deploying larger capital generally exhibit a lower probability of loss, they account for a disproportionately large share of market turnover and **incur substantially larger losses when losses occur.**
6. **Options buying remains the dominant trading strategy** among individual investors and continues to be associated with significantly weaker outcomes than option selling.
7. The study also highlights **considerable persistence in trading behaviour.** Despite widespread losses, a large proportion of traders continue participating in the derivatives segment, and repeated losses frequently persist across successive years.
8. Overall, the findings indicate that investor outcomes in the equity derivatives segment are closely associated with behavioural characteristics—including trading strategy, trading intensity, capital deployment and continued market participation—rather than with trading experience alone.
