



Twelve in a Hundred *Who Actually Makes Money*

What SEBI's FY25–FY26 studies and its Annual Report reveal about profitability, participation and risk for individual traders in India's equity derivatives market.

87.7%

OF INDIVIDUAL TRADERS
LOST MONEY IN FY26

₹91,685 cr

AGGREGATE NET LOSSES
OF INDIVIDUALS, FY26

–20%

FALL IN ACTIVE
INDIVIDUAL TRADERS

₹1.47 lakh

AVERAGE LOSS AMONG
LOSS-MAKING TRADERS

EXECUTIVE SUMMARY

Fewer people are trading derivatives. Almost as few are winning.

On 20 August 2026 SEBI published two client-level studies of individual participation in India's equity derivatives segment, covering FY25 and FY26. Read alongside the SEBI Annual Report 2025–26, they describe a market that has cooled sharply in size but barely at all in outcome. This article summarises what the data says about who makes money, how much, and why.

78.6 lakh

ACTIVE INDIVIDUAL TRADERS
IN FY26, DOWN FROM 98.1
LAKH

87.7%

SHARE OF INDIVIDUAL
TRADERS WITH A NET LOSS IN
FY26

₹1.22 lakh

AVERAGE PROFIT AMONG THE
MINORITY WHO MADE MONEY

₹2.03 lakh cr

COMBINED NET LOSSES OF
INDIVIDUALS, FY25 AND FY26

THE FINDINGS IN BRIEF

- **Roughly twelve traders in a hundred finished FY26 in profit.** SEBI found 87.7% of individual traders incurred a net loss - an improvement on about 91% in FY25, but only a marginal one.
- **Participation fell, losses did not fall as fast.** Active individual traders dropped about 20%, from 98.1 lakh to 78.6 lakh, and new entrants fell about 40%. Aggregate net losses fell about 18% to ₹91,685 crore - but the *average* loss per trader rose slightly, from about ₹1.14 lakh to ₹1.17 lakh.
- **The exit door got busier.** 46 lakh people who traded derivatives in FY25 did not return in FY26, against 26 lakh the year before. The exit rate rose from 27% to 43%.
- **Losses are larger than gains.** Loss-makers lost an average ₹1.47 lakh; profit-makers earned an average ₹1.22 lakh. The typical losing outcome is about a fifth bigger than the typical winning one - before considering how many more losers there are.
- **Options are where the damage sits.** About 92% of aggregate individual losses came from options. Around 87.7% of options traders lost money, against roughly 66% in futures.
- **Losses are highly concentrated.** About 23% of traders accounted for nearly 90% of total losses. Traders with equity portfolios below ₹1 lakh produced about 51% of turnover but 70% of the losses.
- **Costs are a permanent headwind.** Individuals paid roughly ₹24,800 crore in transaction costs in FY26 - about ₹1 lakh crore cumulatively since FY22. For loss-makers, costs equalled 35% of their gross trading losses.
- **The money went to professionals.** Proprietary traders booked gross profits of about ₹44,000 crore and foreign portfolio investors about ₹14,000 crore. SEBI reports that 99% of those profits were made by algorithmic entities.

THE ONE-LINE VERSION

India's derivatives market got materially smaller in FY26 and the distribution of outcomes inside it hardly changed. Fewer people are losing money, but the people still there are losing slightly more each, and the counterparties collecting it are overwhelmingly automated professional firms. Nothing in two consecutive years of SEBI data suggests that individual derivatives trading is, on average, a way to make money.

What follows. Section 1 explains who SEBI is and what these reports measure. Section 2 sets out the numbers and how SEBI defines profit and loss. Section 3 explains, from first principles, why the distribution looks the way it does. Sections 4 and 5 turn to what this means for an individual deciding whether to trade, and for policy.

01 - CONTEXT AND PURPOSE

What SEBI measured, and why the answer matters

WHO SEBI IS

The Securities and Exchange Board of India is the statutory regulator of India’s securities markets. It registers and supervises brokers, exchanges, mutual funds and advisers, and it writes the rules those participants operate under. That role gives it something no private researcher has: access to *client-level* trading records. When SEBI reports that a given percentage of traders lost money, it is not a survey of how people remember their year. It is a count, taken from transaction data.

THE THREE DOCUMENTS BEHIND THIS ARTICLE

DOCUMENT	PUBLISHED	WHAT IT COVERS
Profitability of Individual Traders in the Equity Derivatives Segment (FY25–FY26)	20 Aug 2026	Client- and transaction-level data from the top 15 brokers, representing about 90% of all individual investors in the segment. Covers participation, net profit and loss, transaction costs, product mix and demographics.
Trading Behaviour of Individual Traders in the Equity Derivatives Segment (FY25–FY26)	20 Aug 2026	A random sample of 5,000 individual traders, combined with the profitability data above. Covers strategy, trading intensity, persistence of losses and quarter-by-quarter outcomes.
SEBI Annual Report 2025–26	Aug 2026	Market-wide context: derivatives volumes, cash-market behaviour, mutual fund and SIP growth, ownership shifts and the regulator’s policy agenda.

Source: SEBI Press Release No. 50/2026, 20 August 2026; SEBI Annual Report 2025–26.

WHAT THE STUDIES ARE TRYING TO ESTABLISH

Three questions, in plain terms. First, **participation**: how many individuals actually trade derivatives, and is that number rising or falling? Second, **profitability**: of those who trade, how many end the year with more money than they started with, and by how much? Third, **risk**: how are those outcomes distributed - spread evenly, or concentrated in a small group carrying most of the damage?

SEBI has run versions of this exercise since 2023. The earlier studies covered FY19–FY22 and FY22–FY24 and produced the same headline each time: roughly nine in ten individual traders lose money. The FY25–FY26 edition matters because it is the first full read of the market *after* a substantial package of curbs introduced from late 2024 - larger contract sizes, fewer weekly index expiries, upfront collection of option premium, and tighter margin requirements on expiry day.

WHY THIS IS WORTH AN INDIVIDUAL’S ATTENTION

Derivatives are marketed on their upside. A small premium can control a large position, and the arithmetic of a winning trade is genuinely dramatic. What is far less visible to someone opening an account is the *base rate* - the share of people attempting the same thing who succeed. Base rates are exactly what a regulator with client-level data can supply and what an individual trader, seeing only their own results and other people’s screenshots, cannot.

For policymakers the interest is different but related. Derivatives serve a real economic purpose: they let holders of risk transfer it to someone willing to carry it. A market in which one side of that transfer is composed of millions of undercapitalised individuals losing money year after year raises a question about whether the product is reaching the people it was designed for. SEBI’s Annual Report frames this as a household-savings question - noting a visible shift back toward delivery-based investing and record mutual fund inflows even as speculative options volumes fell.

A NOTE ON DEFINITIONS

Equity derivatives (EDS) are contracts whose value derives from an underlying share or index - principally futures and options. **An option** gives the buyer the right, but not the obligation, to buy or sell at a set price before a set date; the buyer pays a premium for it, and loses that premium in full if the option expires worthless. **A future** is a binding agreement to transact at a set price on a set date. **ODTE** refers to contracts traded on their own expiry day - zero days to expiry.

02 - KEY DATA AND FINDINGS

The headline numbers

WHAT “PROFITABILITY” MEANS HERE

SEBI measures **net profit or loss per trader over a financial year**: the sum of gains and losses on every derivatives position the person settled during the year, *after* deducting transaction costs - brokerage, Securities Transaction Tax (STT), exchange charges, GST, stamp duty and regulatory fees. A trader counts as “profitable” only if that annual figure is positive. That is a stricter test than a win rate on individual trades: someone can win most of their trades and still finish the year down.

MEASURE	FY25	FY26	CHANGE
Active individual traders	98.1 lakh	78.6 lakh	−20%
Share incurring a net loss	~91%	87.7%	−3.3 pp
Aggregate net losses	₹1,11,788 cr	₹91,685 cr	−18%
Average net loss per trader	₹1.14 lakh	₹1.17 lakh	+2.4%
Average loss, loss-makers only	-	₹1.47 lakh	-
Average profit, profit-makers only	-	₹1.22 lakh	-
Transaction costs paid by individuals	~₹24,800 cr	~₹24,800 cr	flat
Average transaction cost per trader	₹26,027	₹31,628	+21.5%
Traders exiting the segment	26 lakh	46 lakh	exit rate 27% → 43%

Source: SEBI FY25–FY26 Profitability Study, 20 Aug 2026; exit figures via Reuters, 20 Aug 2026. SEBI separately cites total individual participation down about 18%, to 87.5 lakh, on a broader definition; both measures point the same way.

FIGURE 1 - WHO ENDED THE YEAR IN PROFIT

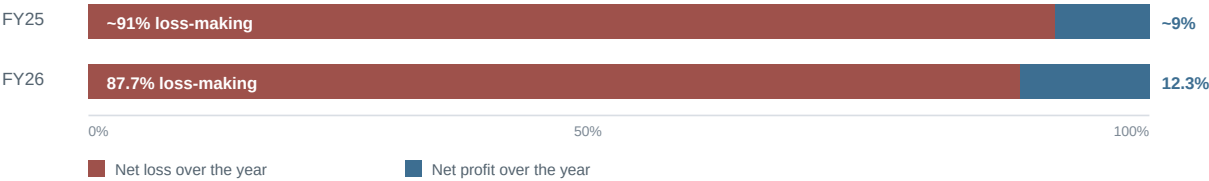
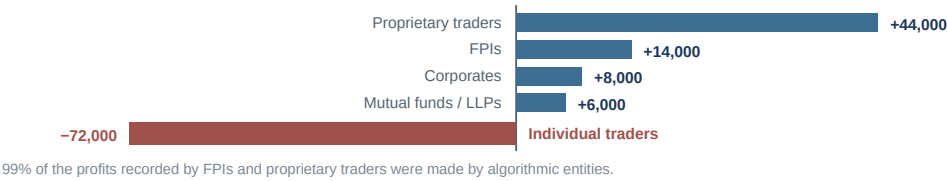


FIGURE 1 Share of individual equity derivatives traders finishing the year with a net profit versus a net loss, after transaction costs. The improvement is real but small: about three traders in every hundred moved from the losing column to the winning one. Source: SEBI FY25–FY26 Profitability Study.

WHERE THE MONEY ACTUALLY WENT

Before costs, a derivatives market is close to a zero-sum transfer: one participant’s gain is another’s loss. SEBI reports both sides directly. Individuals recorded a *gross* trading loss of roughly ₹72,000 crore in FY26; adding about ₹24,800 crore of transaction costs produces the ₹91,685 crore net figure.

FIGURE 2 - GROSS TRADING PROFIT BY PARTICIPANT TYPE, FY26 (₹ CRORE)



99% of the profits recorded by FPIs and proprietary traders were made by algorithmic entities.

FIGURE 2 Gross trading profit or loss before transaction costs, by participant category; mutual funds and partnership firms/LLPs shown combined (₹3,000 crore each). Source: SEBI PR 50/2026.

THE CAVEAT SEBI ITSELF FLAGS

The curbs introduced from November 2024 were followed by a sharp fall in participation - options participation dropped 25.8% between Q2 and Q4 FY25. SEBI is explicit that the study does *not* establish that the measures caused the change. The market also adapted: turnover per remaining index-options trader rose about 12%, and index-futures turnover per trader about 20%.

02 (CONTINUED) - DISTRIBUTION, PRODUCTS AND PERSISTENCE

Averages hide the shape of the distribution

An average loss of ₹1.17 lakh sounds like an ordinary, describable experience. It is not what most traders live. SEBI found that **about 23% of traders accounted for nearly 90% of total losses** - the damage sits with a minority who trade hardest, not spread evenly. The gains are equally concentrated: 12.3% made money, and their average profit was smaller than the average loser's loss.

FIGURE 3 - THE SHAPE OF ANNUAL OUTCOMES

Number of traders



FIGURE 3 Schematic distribution of annual net profit and loss per individual trader, FY26 - an illustrative shape drawn to SEBI's reported proportions and averages, not a plot of the underlying data. Source: SEBI FY25–FY26 Profitability Study.

A WORKED EXAMPLE: HOW 100 TRADERS FINISH A YEAR

Take a hundred individual derivatives traders and apply SEBI's FY26 averages. Twelve of them (12.3%) finish in profit, averaging ₹1.22 lakh each - about ₹15 lakh of gains. Eighty-eight (87.7%) finish down, averaging ₹1.47 lakh each - about ₹129 lakh of losses. Netted, the group is roughly ₹114 lakh poorer, or ₹1.14 lakh per person, which reconciles closely with SEBI's reported average net loss of ₹1.17 lakh. Multiply that by 78.6 lakh participants and you arrive at ₹91,685 crore - and at ₹3.85 lakh crore cumulatively over FY22–FY26, of which ₹2.03 lakh crore was incurred in the last two years alone.

PRODUCT AND BEHAVIOUR BREAKDOWNS

CUT OF THE DATA	WHAT SEBI FOUND IN FY26
Options vs futures	Options produced ~92% of aggregate individual losses. About 87.7% of options traders lost money, against roughly 66% of futures traders; only 6.6% of individuals used futures at all.
Index options	Trader base fell 21% to 74.8 lakh; losses fell ~20%, from ₹88,529 crore to ₹71,269 crore.
Time to expiry	59% of index options turnover was in same-day contracts (70% in FY25); 75% within one day of expiry, 97% within a week. Only 3% had more than seven days to run.
Strategy	~97% of traders were predominantly options <i>buyers</i> ; ~2% predominantly <i>sellers</i> - the only strategy group with a positive median return on capital employed.
Trading intensity	Higher turnover relative to capital or portfolio size was associated with higher loss rates on every dimension SEBI tested.
Experience	Loss rates did not improve with years of participation; ~90% of those who lost two years running and kept trading lost again.
Quarterly outcomes	~85% of trader-quarters were loss-making. Among traders with both good and bad quarters, 79% had average gains smaller than their average losses.
Portfolio size	Loss rates fell steadily with wealth - 93% for traders holding no equity, 58% for those holding over ₹10 crore. Portfolios under ₹1 lakh: 51% of turnover, 70% of losses.
Age and income	Under-30s were 43% of traders and 89% lost money, against 81% of over-60s. Three-quarters reported income below ₹5 lakh: 43% of turnover, 53% of losses.

Source: SEBI FY25–FY26 Profitability Study and Trading Behaviour Study, 20 August 2026.

FIGURE 4 - A SMALL GROUP CARRIES MOST OF THE LOSSES

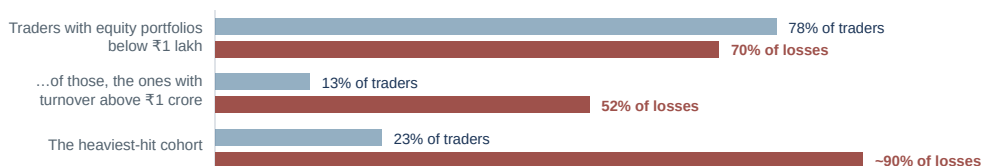


FIGURE 4 Share of the trader population against share of aggregate net losses, FY26. Source: SEBI FY25–FY26 Profitability Study.

03 - FIRST PRINCIPLES

Why the numbers come out this way

The loss rate is not a run of bad luck that a better year would reverse. It follows from four features of the market, each of which shows up directly in SEBI's data.

1. The arithmetic starts below zero

Before anyone is right or wrong about direction, the participant group as a whole has already paid the costs of trading. In FY26 individuals paid about ₹24,800 crore in brokerage, STT, exchange charges and GST - roughly ₹31,628 each. That sum is deducted from a pool that, among individuals, is close to zero-sum before costs. So even if individuals collectively broke even against professionals, they would finish the year down by the cost of playing. SEBI's figures make the drag concrete: **transaction costs equalled 35% of loss-makers' gross trading losses**, and 21% of winners' gross profits.

Cost also scales with activity, not with success. That is why trading intensity correlates so tightly with loss rates: doubling turnover doubles the fee bill while leaving the odds of being right unchanged. It also explains the otherwise odd fact that total costs stayed flat in FY26 even as turnover fell - the STT increase effective 1 October 2024 offset lower brokerage.

2. Leverage compresses the time available to be right

An option is a claim on a price movement that must happen *within a fixed window*. Buy an index call and you need the index to move far enough, fast enough, before expiry - if it moves the right way too slowly, the premium still decays to nothing. This is why the expiry concentration in SEBI's data is so telling: with 59% of index options turnover on the expiry day itself and 97% within a week, most retail activity is in contracts where time decay is fastest and the range of outcomes is widest. Small capital plus short duration means a high probability of total loss on any given position, offset by a small probability of a large gain. That is precisely the distribution shown in Figure 3.

It also explains the strategy split. Buying options offers limited downside per trade and an appealing story; selling options collects premium and wins most of the time but requires capital and risk management. About 97% of individuals buy. Only the roughly 2% who predominantly sell recorded a positive median return on capital.

3. The counterparty is not another beginner

The natural assumption is that a retail trader is competing with other retail traders. The data says otherwise. Proprietary firms booked about ₹44,000 crore of gross profit in FY26 and FPIs about ₹14,000 crore - and **99% of that came from algorithmic entities**: firms with co-located servers, sub-millisecond execution, professional risk systems and full-time quantitative staff. On any given short-dated contract, the person on the other side is likely a machine priced by people whose job this is. Skill and information asymmetry of this size does not average out over a year; it compounds.

4. Behaviour makes the structural problem worse

Three patterns in SEBI's behavioural study are hard to explain by market structure alone. *Losses persist*: about 90% of those who lost two years running and continued lost again. *Winners are cut short and losers run*: among traders with both profitable and unprofitable quarters, 79% had average gains smaller than their average losses - the signature of taking profits quickly and holding losses in hope. *And the most exposed trade the most*: younger, lower-income, smaller-portfolio traders showed the highest trading intensity relative to their resources, and correspondingly the highest loss rates - 93% among those with no equity holdings at all.

Experience does not correct this. SEBI found loss incidence essentially flat across years of participation, which sits awkwardly with the common belief that trading is a skill acquired through screen time. Meanwhile 28–40% of traders active in one quarter did not trade the next, and 86–89% of those had lost money in the quarter before leaving - a market that quietly replaces its population rather than teaching it.

Each factor is individually modest. Together they produce a system in which the expected outcome for an undercapitalised, high-frequency options buyer is a loss - and the observed outcome, across 78.6 lakh people and two consecutive years, is a loss.

04 - IMPLICATIONS FOR INDIVIDUALS AND POLICY

What a reasonable person should take from this

FOR THE INDIVIDUAL

Treat 87.7% as your prior. Before any assessment of personal skill, the starting estimate for a year of individual derivatives trading is a net loss. Nothing in the data - not experience, not more screen time - reliably moves that number.

Size the downside against your balance sheet, not your conviction. The traders doing worst are those with the least to absorb a loss: 93% loss rate with no equity holdings, 58% for portfolios above ₹10 crore. If ₹1.47 lakh - the average loss - would materially damage your finances, that is the answer to whether the position is appropriate.

Count the costs first. An annual bill near ₹31,600 is the hurdle a strategy must clear before it earns anything. On small capital, that hurdle alone can exceed any realistic return.

FOR POLICY

Participation controls worked on volume, not on odds. The FY25 measures were followed by a 20% fall in traders, a 40% fall in new entrants and a 51.5% drop in total options contract volumes reported in the Annual Report. The loss rate moved 3.3 points. Fewer people are exposed; the exposure itself is largely unchanged.

Disclosure needs to be about base rates. Risk warnings describing what *could* happen are weaker than a figure describing what *did* happen to comparable people. SEBI's own statistics are the most useful disclosure available.

Advice quality is part of the problem. The Annual Report notes 62% of retail investors are influenced by social-media financial influencers, and sets out Project Sudarsan (AI-based surveillance) and Project Jagrook (a multilingual awareness campaign) in response.

CONCLUSION

The market shrank. The odds did not.

FY26 was the first year in this series in which India's individual derivatives losses fell. Twenty per cent fewer people traded, aggregate losses fell 18% to ₹91,685 crore, and the share of loss-makers improved from about 91% to 87.7%. Read carelessly, that is a recovery. Read carefully, it is a smaller market with the same internal arithmetic: the average loss per trader went *up*, losses stayed concentrated in the least-capitalised participants, and virtually all the profit on the other side was collected by algorithmic professional firms.

The Annual Report supplies the useful contrast. In the same year that speculative options volumes fell by half, the delivery-to-traded value ratio in the cash market improved to nearly 30%, the unique mutual fund investor base grew 13.2% to 61 million, and average monthly SIP contributions rose 25.8% to a record ₹16,413 crore. Indian households did not stop participating in equities in FY26. A meaningful number of them changed how.

FIVE PRACTICAL TAKEAWAYS

- **Expect to lose if you trade derivatives actively.** Roughly twelve in a hundred finish a year ahead, and their average gain is smaller than the average loss.
- **Separate investing from speculating, and fund them separately.** Long-horizon equity ownership and short-dated options trading are different activities with different base rates.
- **If you trade, trade less.** Every cut of SEBI's data links higher turnover relative to capital with higher loss rates. Frequency is the most controllable variable.
- **Do not treat survival as skill.** Loss rates do not improve with years of participation; about 90% of repeat loss-makers lose again.
- **Judge the year, not the trade.** SEBI's measure - annual net P&L after all costs - is the only number that reflects what actually happened to your money.

INFORMATIONAL ONLY - NOT INVESTMENT ADVICE.

SOURCES

SEBI, "Study - Profitability of Individual Traders in the Equity Derivatives Segment (FY25-FY26)", 20 August 2026. SEBI, "Study - Trading Behaviour of Individual Traders in the Equity Derivatives Segment (FY25-FY26)", 20 August 2026. SEBI Press Release No. 50/2026, "SEBI Studies Indicate Key Trends in Retail Participation, Trading Behaviour and Profitability in the Equity Derivatives", 20 August 2026. SEBI Annual Report 2025-26, August 2026. Reuters, "India's individual equity derivatives traders fall about 20% in fiscal 2026, regulator says", 20 August 2026. Supplementary reporting: Business Today, 21 August 2026; Business Standard; Outlook Money, 7 August 2026. Figures are as publicly reported; where SEBI publishes rounded values, totals may not sum exactly. Interpretation is the author's.