



DERIVATIVES

Options: calls and puts

A right without a duty, bought for a premium: how calls and puts pay out, and what the seller takes on

Rules as on 12 October 2026; SEBI study figures for FY 2025-26

For training and education only. Not investment advice.

An option gives its buyer a right without a duty. The seller takes on the duty and is paid a premium for it.

In a futures contract both sides are bound. In an option only the seller is bound. The buyer can let the option lapse, and then loses the premium paid.

Four words to know



Call

The right to buy the underlying at a set price. The buyer of a call gains if the price rises above that level.



Put

The right to sell the underlying at a set price. The buyer of a put gains if the price falls below that level.



Strike price

The set price at which the right can be used. An exchange lists many strike prices for each expiry date.



Premium

What the buyer pays the seller for the right. It is paid at the start and is not returned.

A call option, worked through

THE CALL

An invented index is at 30,000. One lot is 50 units.

A buyer takes a call with a strike of 30,500 and pays a premium of 200 a unit: ₹10,000.

All figures are assumed.

- 1 Index at 31,500 on expiry: the call pays $(31,500 - 30,500) \times 50 = ₹50,000$. After the premium: a gain of ₹40,000.
- 2 Index at 30,600: the call pays $100 \times 50 = ₹5,000$. After the ₹10,000 premium: a loss of ₹5,000.
- 3 Index at 30,500 or below: the call pays nothing. The loss is the whole premium, ₹10,000.
- 4 Break-even: strike + premium = 30,700. The index must rise 2.33% from 30,000 just to recover the premium.

The buyer's loss stops at ₹10,000. That is also 100% of the money he put in.

Illustration with an invented index and assumed strike, premium and lot size. Costs and taxes ignored.

A put option, worked through

THE PUT

The same invented index is at 30,000. One lot is 50 units.

A buyer takes a put with a strike of 29,500 and pays a premium of 150 a unit: ₹7,500.

All figures are assumed.

- 1 Index at 28,500 on expiry: the put pays $(29,500 - 28,500) \times 50 = ₹50,000$. After the premium: a gain of ₹42,500.
- 2 Index at 29,400: the put pays $100 \times 50 = ₹5,000$. After the ₹7,500 premium: a loss of ₹2,500.
- 3 Index at 29,500 or above: the put pays nothing. The loss is the whole premium, ₹7,500.
- 4 Break-even: strike - premium = 29,350. The index must fall 2.17% from 30,000 just to recover the premium.

A put is the mirror of a call. It pays when the price ends below the strike.

Illustration with an invented index and assumed strike, premium and lot size. Costs and taxes ignored.

Buyer and seller: who can lose what

Position	Right or duty	Most it can gain	Most it can lose
Buy a call	A right to buy at the strike price.	No fixed limit	The premium paid
Sell a call	A duty to sell at the strike price if the buyer exercises.	The premium received	No fixed limit
Buy a put	A right to sell at the strike price.	Strike price minus premium	The premium paid
Sell a put	A duty to buy at the strike price if the buyer exercises.	The premium received	Strike price minus premium

Per unit, at expiry, before costs and taxes. A price cannot fall below zero, which caps the put.

In, at and out of the money



In the money

Exercising today would pay something. A call whose strike is below the current price; a put whose strike is above it.



At the money

The strike price is equal to, or the closest one to, the current price of the underlying.



Out of the money

Exercising today would pay nothing. A call whose strike is above the current price; a put whose strike is below it.

Premium = intrinsic value (what exercise would pay today) + time value. Time value is zero at expiry.

How options work on exchanges in India

Feature	The rule now	Source
Exercise	European style: an option can be exercised only at expiry. In-the-money options are exercised automatically on that day.	NSE Clearing
Premium	The buyer pays the full premium. Brokers have had to collect it upfront since 10 February 2025.	SEBI 2024; NSE Clearing 2025
Weekly expiry	Each exchange may offer weekly options on only one benchmark index. On NSE that index is the Nifty 50.	SEBI, 2024; NSE
Seller's margin	The seller deposits margin, as in futures. An extra 2% is charged on options sold that expire the same day.	SEBI circular, 1 Oct 2024
Transaction tax	Securities transaction tax on the sale of an option is 0.15% of the premium from 1 April 2026. It was 0.10%.	Finance Act, 2026

Sources: NSE Clearing, NSE specifications (12 Oct 2026); SEBI, 1 Oct 2024; NSE Clearing, 9 Jan 2025; NSE/FATA/73524 (Finance Act, 2026).

Where things stand

SEBI's study of individual traders and of options turnover.

TRADERS IN LOSS

87.7%

Of individual options traders made a net loss in FY 2025-26.

SHARE OF LOSSES

92%

Of individuals' net losses in equity derivatives came from options.

ON EXPIRY DAY

59%

Of index options turnover, NSE and BSE, was on expiry day in FY26 (70% in FY25).

TRADED OPTIONS

99.3%

Of individuals in equity derivatives over FY25 and FY26 traded options.

Source: SEBI, 'Profitability of Individual Traders in the Equity Derivatives Segment (FY25-FY26)', August 2026. Sample: top 15 brokers, about 90% of individual traders.

If you learnt this from older material

What older decks say

- Several index options expire every week.
- No explicit rule that the premium be collected upfront.
- NSE options expire on a Thursday.
- STT on an option sale is 0.10% of the premium.

What holds now

- One weekly index option per exchange, from 20 November 2024.
- Brokers must collect it upfront, from 10 February 2025.
- Tuesday, for NSE contracts expiring from 1 September 2025.
- 0.15% of the premium, from 1 April 2026.

Sources: SEBI circular, 1 Oct 2024; NSE Clearing circular, 9 Jan 2025; NSE/FAOP/68747, 25 Jun 2025; NSE/FATAH/73524 (Finance Act, 2026).

Four things people get wrong



'An option buyer risks very little.'

The whole premium is lost if the option ends out of the money. In FY 2025-26, 87.7% of individual options traders made a net loss.



'Selling options is steady income.'

The seller keeps the premium only if the option ends worthless. If it does not, the loss can be many times the premium.



'Right on direction means a gain.'

The price must end past break-even at expiry: strike plus premium for a call. Passing it earlier earns nothing.



'A put is only a bet on a fall.'

A holder of shares can buy a put as protection. It sets a floor under the value for a time, at the cost of the premium.

Trustner does not distribute or recommend derivative trading. This deck explains; it does not coach.

Source: SEBI, 'Profitability of Individual Traders in the Equity Derivatives Segment (FY25-FY26)', August 2026.

Check yourself

Q1

An invented index is at 20,000; one lot is 40 units. A call with a strike of 20,000 costs 100 a unit. What does the buyer pay, and what is the break-even level at expiry?

Q2

On the same index a put with a strike of 19,800 costs 80 a unit. The index ends at 19,750 on expiry. What is the buyer's result?

Q3

Who deposits margin on an option, the buyer or the seller, and why?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Exercise style and settlement: NSE Clearing, equity derivatives settlement mechanism and settlement price pages; NSE contract specifications. Read 12 Oct 2026.
- Upfront premium, weekly expiry and expiry-day margin: SEBI circular SEBI/HO/MRD/TPD-1/P/CIR/2024/132 (1 Oct 2024); NSE Clearing circular NCL/CMPT/66046 (9 Jan 2025).
- Expiry day on NSE: NSE circular NSE/FAOP/68747 (25 Jun 2025), following SEBI circular SEBI/HO/MRD/MRD-TPD-1/P/CIR/2025/76 (26 May 2025).
- Traders' results: SEBI, 'Profitability of Individual Traders in the Equity Derivatives Segment (FY25-FY26)', August 2026.
- Securities transaction tax: Finance Act, 2026, as recorded in NSE circular NSE/FATAX/73524 (31 Mar 2026).
- The index, the buyers and sellers, and every strike, premium and lot size in the examples and quiz are invented for the arithmetic only.

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