

# Nearly nine in ten F&O traders lost money. Skipping homework is a bet

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**Maxim:** "Investing is fun, exciting, and dangerous if you don't do any work." — Peter Lynch, *Beating the Street* (1993)

*The market rewards curiosity and punishes shortcuts. The difference between investing and speculating is usually an afternoon of reading.*

Buying something you have not studied is not investing. It is placing a bet and hoping the other side has done less homework than you.

This week the Supreme Court closed a chapter that began with exactly that kind of bet. It upheld the Bombay High Court's order quashing the March 2020 write-off of ₹8,415 crore of Yes Bank's AT1 bonds, observing that it would be highly unfair for investors to bear the cost of administrative lapses, [ThePrint reported](#). Many of those bondholders were ordinary bank customers who had been told the bonds were as safe as a fixed deposit. They were not, and the fine print said so.

Peter Lynch put the first of his Golden Rules plainly: investing is fun and exciting, and dangerous if you don't do the work. India's own data on who skips the work is now unusually detailed.

## The most expensive shortcut in India

Picture a 26-year-old who opens a trading app after a friend posts a screenshot of a big options profit. He has never bought a share or read an annual report. Within a week he is trading weekly Nifty options, because they are cheap and move fast. He is not unusual.

Sebi's latest study of individual traders in equity derivatives found that 87.7% of them lost money in 2025–26, and that their combined net loss was ₹91,685 crore, [according to the regulator's report](#) released in August. Options accounted for 92% of those losses. The share of losers was slightly lower than the year before. The bill was still enormous.

The profile of the traders tells the story of skipped homework. More than a third had no equity portfolio at all, and over 40% were under 30, Business Standard noted in [an editorial on the study](#). These were not investors who had learned how companies make money and then chosen to hedge. Many had gone straight to the most complex product on the exchange.

None of this means derivatives are wicked. Professionals use them every day. It means that a product whose price depends on time, volatility and leverage punishes anyone who has not done the work to understand those three things, and it punishes them quickly.

## The homework others did for you

The Yes Bank bonds show the same failure in a quieter asset. When Sebi fined the bank in 2021, it found that 1,346 individuals had put about ₹679 crore into AT1 bonds, almost all of them existing customers, and that the bonds had been pitched as a "Super FD" by comparing interest rates rather than risks, [The News Minute reported](#). The terms of AT1 bonds allow them to be written off when a

bank is in trouble; the sales pitch did not dwell on it, and buyers who trusted the person across the desk did not go looking.

Outright manipulation exploits the same gap. In a final order this July, Sebi barred 221 entities and ordered about ₹144 crore to be disgorged in a scheme that sent bulk SMS tips, some from sender IDs made to look like well-known brokers, to push small stocks such as Mauria Udyog, [Free Press Journal reported](#). The tip worked only on people who bought without checking what the company did.

Even legitimate new issues reward homework. Of 161 SME IPOs listed in 2026, 81 were trading below their issue price by early October, [Business Standard found](#). Sebi [proposed fresh rules](#) for SME listings this week. Rules can raise the floor. They cannot read the offer document for you.

## The minimum homework

Lynch never asked amateurs to become analysts. He asked them to know enough to explain what they own. For most Indian investors, that means five checks, each answerable in an evening.

1. **For a stock: what does the company sell, and is it profitable?** Read the latest annual report's business section and the last few quarterly results on the NSE or BSE website. If you cannot say in a sentence how it makes money, you are not ready to buy.
2. **For a stock: what does it owe?** Look at borrowings against net worth and at pledged promoter shares in the shareholding pattern. A great story on a weak balance sheet is a speculation.
3. **For a fund: what does it actually hold?** Read the latest factsheet and the scheme information document. Check the top holdings, the riskometer, the expense ratio and how the fund has done against its benchmark over five years, not one.
4. **For a bond: what happens if things go wrong?** Read the rating rationale and the terms. Is it secured? Can it be written off or converted? Where does it rank if the issuer fails?
5. **For any tip: who is telling you, and are they registered?** Check Sebi's list of registered investment advisers and research analysts before acting on advice. Guaranteed returns or contact only through WhatsApp or Telegram are reasons to walk away.

The rule to keep: if you cannot pass these checks for something, treat any money you put into it as a bet, size it like one, and never let it be money you need. Homework will not guarantee a profit. It does stop you paying for other people's shortcuts.

The Yes Bank bondholders may now get their money back, years later, through the courts. Most investors who skip the homework never get that second chance. An evening with the documents is cheaper.

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