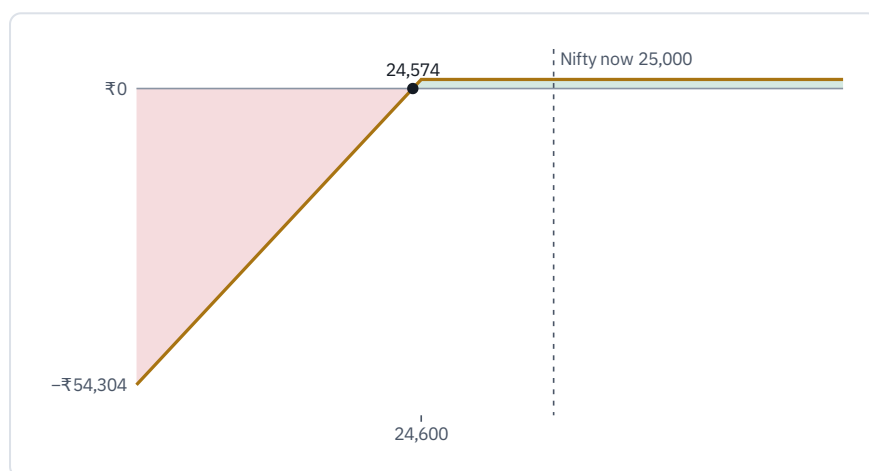


Nifty Option Selling (short put) strategy

Why sellers win often and lose big, time decay, strike choice, stops, margin and a short put example. By M. A. Horaira, updated 10 October 2026.

THE RULES

- **The idea:** sell options that are likely to expire worthless and keep the premium; the time decay works for you, the big moves against you
- **Strikes:** out of the money, far enough that the Nifty needs a bigger-than-usual move to reach them (in the example 400 points, about 1.6%: roughly one standard deviation over six days at 12% volatility)
- **Position size:** work out the loss at your stop, and at a 4% gap, before you sell; one lot of Nifty is 65 units
- **Exit:** buy back if the premium doubles (stop), or once most of it has decayed; never hold a losing short option hoping
- **Avoid:** selling into big events (RBI policy, the budget, major global data) unless that's the plan, and naked selling without a stop



Payoff at expiry for one lot, with model premiums (Nifty 25,000, 12% volatility, 6 days). Live premiums differ.

WORKED EXAMPLE

Sell 1 lot of the 24,600 PE at 25.55 with the Nifty at 25,000: ₹1,661 received. Breakeven 24,574.45. Nifty -4% at expiry: -₹37,339. Stop if the premium doubles (51.10): about ₹1,661 loss plus slippage.

LOT SIZE

Units = lots × 65. Premiums here are model estimates; use live prices. STT: 0.15% of premium sold (from 1 April 2026), plus brokerage, exchange charges and GST.

BEFORE EVERY TRADE

- ☐ Loss at a 4% gap affordable?
- ☐ Stop set when selling (premium × 2)?
- ☐ No big event before expiry?
- ☐ Margin checked in the broker's calculator?
- ☐ Hedge considered (credit spread)?

CHECK IT BEFORE YOU TRADE IT

1. Put live premiums into the payoff calculator.
2. Check the margin in your broker's calculator.
3. Set the stop and the take-profit before entry.
4. Paper trade a few weekly expiries, including a fast one.
5. Count costs: STT 0.15% of premium sold, plus brokerage and charges.
6. Calculator: pipledgerfx.com/nifty-option-payoff-calculator

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pipledgerfx.com/nifty-option-selling-strategy