

—THE—
**OPTION
INCOME**
—BLUEPRINT—

**A PRACTICAL FRAMEWORK
FOR GENERATING INCOME AND MANAGING RISK WITH OPTIONS**

OPTIONS STRATEGIST & PORTFOLIO INCOME EXPERT

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Foreword

Most investors own shares that do nothing between the day they buy and the day they sell. The shares sit there, rising and falling, while the investor waits — sometimes for years — for a gain he can only realise by selling the very asset he wanted to keep. This book is about ending that waiting. It is about making the shares you already own pay you a regular income, every month, without selling a single one.

That income is the Rent pillar of the Invest–Protect–Rent framework, and its principal engine is the covered call — the strategy I call the Friday income idea. You own quality businesses. Against them, you sell someone the right to buy at a higher price, and you collect a premium for it, again and again. Done with discipline, on a portfolio you already hold, this is not the reckless options gambling that wipes out the majority of F&O traders. It is the opposite: a conservative, probability-based income strategy that turns a static portfolio into a rent-paying asset.

But you cannot rent options income safely until you truly understand options — and most people never do. They fear options because they have only ever seen the losing side of them: the naked buying and selling that SEBI's own data shows destroys the overwhelming majority of retail traders. So this book is built in two movements. First, it removes the fear, teaching you what options actually are and why they are misunderstood. Then it builds the income engine — the covered-call system, week after week, that turns your portfolio into a source of monthly cash flow. Understand first, then earn. Fear gone, income on.

This is a book for the investor who already owns a portfolio, or is building one, and wants to make it pay. It assumes you are serious, it names no tips, and it respects your intelligence. What it gives you is a complete, disciplined system for renting income from what you own — the third pillar of building real wealth in the Indian market.

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Introduction

From Owning Shares to Renting Income

There are two ways to make money from a share. Everyone knows the first: buy low, sell high, and pocket the difference. It is the only way most investors ever consider, and it has a fundamental limitation — you only get paid when you sell, which means you must give up the asset to realise the gain, and until then the shares produce nothing but paper fluctuations. The second way is the one this book teaches: keep the shares, and rent them out for a regular income, much as a landlord earns rent from a property he continues to own.

That second way is the covered call, and it changes the entire economics of owning a portfolio. Instead of a static store of value whose worth matters only on the day you sell, your portfolio becomes a living, income-producing asset that pays you month after month, whether the market rises, falls, or goes nowhere. The shares keep their long-term appreciation potential; on top of it, they now pay rent.

Why this book comes in two parts

You cannot safely rent income from options until you genuinely understand them, and here lies the problem: options are the most misunderstood instrument in Indian finance. The data is brutal — the overwhelming majority of retail derivatives traders lose money, and they lose it doing the dangerous things: buying options as lottery tickets, selling them naked without cover, trading on tips and hope. This carnage has given options a fearsome reputation, and that fear stops sensible investors from using the one options strategy that is genuinely conservative and income-producing.

So the book proceeds in two movements. Part One removes the fear. It teaches what options actually are, in plain language, and separates the two worlds of options — the reckless speculation that destroys traders, and the conservative income strategies that reward disciplined investors. By the end of Part One, options will no longer frighten you, because you will understand exactly which uses are dangerous and which are not. Part Two then builds the income engine: the covered call, the Friday income system, applied week after week to the portfolio you own, with the strike selection, the position

management, and the discipline that turn the concept into reliable monthly cash flow.

What income to realistically expect

This book makes no promises of easy riches, but it is specific about what a disciplined covered-call system can realistically produce. On a quality portfolio, systematically writing covered calls, an income of roughly one to one and a half per cent per month is a realistic target — not every month, not guaranteed, but as a disciplined average over time. That range sounds modest until you compound it and add it to the portfolio's own growth, at which point it becomes a powerful second engine of returns. Part Three works the full projection — month by month, conservative and ideal — so you can see exactly what the Friday income system builds over time, and how it combines with portfolio growth into a complete wealth machine. Let us begin by removing the fear.

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PART ONE

Understand Options — Without Fear

You cannot safely rent income from options until you understand them — and options are the most misunderstood instrument in Indian finance. This part removes the fear. It confronts the brutal data on why most derivatives traders lose, teaches what options actually are in plain language, and separates the reckless speculation that destroys traders from the conservative strategies that reward disciplined investors.

CHAPTER 1

Why 89% of F&O Traders Lose — The SEBI Data

Before learning how to use options correctly, you need to understand precisely why most people use them incorrectly. Not in vague terms, but with the specific data that SEBI has published. This data is the most important context for everything that follows in this book.

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The SEBI Study — What It Actually Found

In January 2023, SEBI released a study titled 'Analysis of Profit and Loss of Individual Traders in Equity F&O Segment.' The key findings were stark:

89% of individual F&O traders in India incurred net losses over the three-year period studied (FY2019 to FY2022)

The average loss per losing trader was approximately ₹1.1 lakh over the period

Among loss-making traders, 97% were intraday or very short-term traders

Even among the 11% who were profitable, the majority made less than ₹1 lakh profit over three years — a return that would not even match a simple bank FD

Transaction costs (brokerage, STT, exchange charges) consumed a significant portion of gross trading profits

The study covered over 45 lakh unique individuals who traded F&O. That is 45 lakh real people, real money, real losses.

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Why They Lost — The Six Root Causes

Root Cause 1: Buying Options Instead of Selling Them

The single most important structural reason for retail F&O losses: most retail traders are net buyers of options. They buy calls when they think the market

will go up. They buy puts when they think it will go down. They are paying premium to speculate on direction.

Every option they buy has a seller on the other side. That seller is typically an institution, a market maker, or a sophisticated individual. The seller collects the premium. Time decay (Theta) works in the seller's favour every day. At expiry, approximately 75 to 80% of all options expire worthless — which means the seller keeps the premium 75 to 80% of the time.

The retail buyer is on the wrong side of this equation. Every day that passes without the trade working is a day of premium eroded. The deck is structurally stacked against option buyers.

Root Cause 2: Trading Intraday and Weekly

The SEBI study found that the proportion of losing traders was highest among intraday and weekly options traders. This is mathematically inevitable: the shorter the time horizon, the more precise your directional prediction needs to be. A stock that moves 0.5% in the wrong direction can wipe out an intraday options position entirely.

The practitioners who consistently make money use monthly or longer-dated options. Time works for them — it allows positions to develop, volatility to normalise, and Theta decay to accumulate.

Root Cause 3: Excessive Leverage

One lot of Nifty options controls ₹16 to 17 lakh of underlying market exposure with a margin requirement of only ₹50,000 to ₹1 lakh. This is 16 to 34 times leverage. A 3% adverse move in the market can wipe out the entire margin.

Most losing retail traders are significantly over-leveraged — they hold far more market exposure than their capital can absorb. A single bad trade destroys not just the position but the entire trading capital.

Root Cause 4: No Stop-Loss, No Exit Plan

In the SEBI study, losing traders held losing positions far too long — hoping for reversals that often never came. A bought call that has lost 50% of its value is not 'cheap' — it is a sign that the trade thesis was wrong. Without pre-defined exit rules, emotional decision-making takes over and small losses become catastrophic ones.

Root Cause 5: Trading on Tips and Noise

The most common entry signal for retail F&O traders in India: a tip from a friend, a YouTube channel, a WhatsApp group, or a television analyst. These tips have no systematic edge. They generate commissions for the recommender and losses for the follower. Every trade entered without a clear, pre-defined edge is essentially a coin flip — but with negative expected value once transaction costs are included.

Root Cause 6: Treating Options as a Lottery

The most destructive mindset in retail options trading: the belief that a small amount of money can become a large amount quickly. The 'lottery ticket' mentality — buying deep out-of-the-money options for ₹5 hoping they become worth ₹500 — is statistically nearly certain to produce losses. These options expire worthless more than 95% of the time.

The Losing Approach** **The Winning Approach

-- Buy options (pay premium)	-- Sell options (collect premium)
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Short-term / intraday trading	Monthly or longer time horizons
-------------------------------	---------------------------------

High leverage — over-exposed	Sized to portfolio — defined risk
------------------------------	-----------------------------------

No exit plan — hope-based	Pre-defined entries, exits, and rules
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Tips and noise as entry signals	Systematic, probability-based strategies
---------------------------------	--

Options as lottery tickets	Options as insurance and income tools
----------------------------	---------------------------------------

89% lose money	Top 11% make consistent returns
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> THE REFRAME The 89% who lose are not stupid. They are using > options for the wrong purpose. This book teaches the purpose that > works: options as tools of protection, income, and risk management. > Not speculation. Not gambling. Tools.

The Six Conservative Strategies That Consistently Work

In contrast to the losing approaches above, here are the six strategies that consistently generate positive returns for disciplined practitioners — all of which are covered in depth in this book:

Strategy** **You Are** **Expected Win **Best For

Rate ----- Covered

Call Option seller 70--80% of Monthly income from trades existing shares

Protective Put Option buyer Always 'wins' Crash protection on (insurance)
— provides portfolio peace of mind

Cash-Secured Put Option seller 70--80% of Getting paid to buy trades stocks
at discount

Collar Both buyer Defined range Protecting gains on and seller — zero net
long-term holdings cost possible

Bull Put Spread Net option 65--75% of Income with defined seller trades
maximum risk

Bear Call Spread Net option 65--75% of Income in flat/bearish seller trades
conditions -----

Every strategy in this list has one thing in common: it is used by investors and practitioners who understand that options are tools for managing the risk that already exists in their portfolios — not vehicles for creating new risk through speculation.

CHAPTER 2

Options Are Not What You Think They Are

The word 'options' carries enormous baggage in Indian financial culture. For most people, it conjures images of high-risk trading, leveraged bets, and the stories of people who lost large amounts of money. This chapter dismantles those associations systematically — not by dismissing the risks of options, but by replacing the distorted picture with an accurate one.

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The Five Myths About Options — Demolished

Myth 1: Options Are Inherently Risky

This is the most pervasive myth. The truth is more nuanced: buying naked options (without hedging the position) is risky. Selling options without owning the underlying (naked selling) carries unlimited risk. But these are specific, avoidable uses of options.

In contrast, a covered call — selling a call option on shares you already own — actually reduces the risk of your equity portfolio. It generates income that cushions downside. It has been classified as a conservative strategy by every major institutional risk framework in the world.

A protective put — buying a put option on your equity portfolio — is literally insurance. Calling insurance risky is like calling a seatbelt dangerous because it uses metal parts.

Myth 2: Options Are Only for Traders, Not Investors

This myth is a product of how options are marketed and discussed in India — almost exclusively in the context of short-term trading. But globally, the largest users of options are not traders. They are institutional investors, pension funds, insurance companies, and endowments. They use options to protect their long-term equity portfolios and generate income from their holdings.

A long-term equity investor who writes covered calls on their portfolio is not a trader — they are an investor who has activated an additional income stream

from assets they already own. The time horizon is still years. The investment thesis is unchanged. The only difference is that the portfolio is now earning a second income.

Myth 3: You Need to Understand Complex Mathematics

Options pricing does involve mathematical models (Black-Scholes, binomial trees). But using options practically requires exactly as much mathematics as using a calculator. You need to understand what Delta means, not how to derive it. You need to know that Theta decays an option's value daily, not how to compute the partial differential equation.

This book teaches every concept through its practical implication — what it means for your trade, your income, your risk. The mathematics is in the background, working for you, without requiring you to engage with it directly.

Myth 4: Options Are Zero-Sum — Someone Always Loses

This is technically true but misleading in context. Yes, every option trade has a buyer and a seller. But in the context of covered calls and protective puts — the two most commonly used conservative strategies — the outcome for both parties can be mutually acceptable.

When you sell a covered call at a strike above your target selling price, and the stock stays below that strike, you collect income and keep your shares. The buyer of your call does not necessarily lose in an absolute sense — they may have been hedging their own short position or using the call as part of a spread. Options markets are not a single table of players; they are a complex ecosystem where multiple participants use the same instrument for different purposes.

Myth 5: Options Will Always Expire Worthless (Wasted Money)

This myth is a misapplication of the fact that most options expire worthless. When you buy a protective put that expires worthless — because the market did not crash — that is not waste. That is exactly what insurance is supposed to do. You pay a premium for protection. The protection is not needed. You are happy, not disappointed. The put did its job by not being needed.

The investor who resents buying insurance that was not 'used' does not understand the purpose of insurance. The purpose is not to collect a claim. The purpose is to be protected if a claim-worthy event occurs.

— — —

What Options Actually Are — A Precise Definition

An option is a contract that gives the buyer the right — but not the obligation — to buy or sell an underlying asset at a specified price (the strike price) before or on a specified date (the expiry date).

There are two types of options:

Call Option: the right to BUY the underlying at the strike price. Call buyers profit when the underlying rises above the strike. Call sellers profit when the underlying stays below the strike.

Put Option: the right to SELL the underlying at the strike price. Put buyers profit when the underlying falls below the strike. Put sellers profit when the underlying stays above the strike.

In India, equity options are European-style — they can only be exercised at expiry, not before. NSE stock options expire every Tuesday. BSE stock options expire every Thursday. Index options (Nifty, BankNifty) expire weekly on their respective schedules.

Call Option **Put Option**

	--	What it gives the
BUYER	Right to BUY at strike	Right to SELL at strike

What the BUYER pays Premium Premium

Buyer profits when Underlying RISES above Underlying FALLS below strike strike

What the SELLER receives Premium Premium

Seller profits when Underlying STAYS BELOW Underlying STAYS ABOVE strike strike

Conservative investor Sell covered calls for Buy protective puts for use income insurance

CHAPTER 3

The Complete Options Vocabulary — 20 Terms, Plain Language

Options education typically fails beginners by front-loading them with vocabulary before giving context. Every term in this chapter arrives with its practical meaning — what it means for your trades, your decisions, and your outcomes.

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	Term	Plain
Definition	Why It Matters to You	— — — — —
Underlying	The stock or index the option is based on	You can only write covered calls on stocks you own
Strike Price	The price at which the option gives the right to buy/sell	Your primary choice when selecting a covered call or put
Premium	The price paid/received for the contract or insurance cost	Your income (if selling) option (if buying)
Expiry Date	When the option contract ceases to exist	NSE stock options: every Tuesday. BSE: every Thursday
Lot Size	Fixed quantity of shares in one contract	Nifty: 65 shares. options contract BankNifty: 30 shares. Varies by stock
In-the-Money (ITM)	Strike is below CMP (Call) or above CMP (Put)	ITM options have intrinsic value — more expensive
At-the-Money (ATM)	Strike equals current market price	Highest Theta and price premium — used selectively
Out-of-the-Money (OTM)	Strike above CMP (Call) or below CMP (Put)	Where conservative sellers operate — no intrinsic value
Intrinsic Value	How much in-the-money the option is	OTM options have zero intrinsic value — all time value

Time Value Premium above intrinsic value Decays to zero at expiry — reflects time remaining — seller's daily income

Open Interest (OI) Total outstanding contracts at Measures liquidity — a strike trade only at high-OI strikes

Bid-Ask Spread Gap between highest buyer price Always use limit orders and lowest seller price — market orders give you the worst price

Assignment When buyer exercises right — European options: only seller must deliver/receive at expiry. Plan for this shares possibility

Rollover / Rolling Closing existing option and Key income management opening new one at different skill — covered in strike/expiry Chapters 7 and 11

Implied Volatility Market's expected future High IV = rich premiums. (IV) volatility priced into the Sell when IV is high option

IV Percentile Where current IV sits vs IVP above 50 = good time (IVP) 52-week range to sell. Below 20 = wait

Delta Option price change per ₹1 move Also approximates in underlying probability of expiry in-the-money

Theta Daily time value decay of Seller earns Theta every option premium day — your daily income rate

Vega Option price change per 1% Sell when IV is high change in IV (Vega inflated) to benefit from IV crush

Gamma Rate of change of Delta Warning signal when near strike close to expiry — review position

> VOCABULARY COMPLETE Twenty terms. Master these and you have the > complete vocabulary of conservative options practice. You do not need > fifty more. The professionals who generate consistent income use these > twenty concepts and nothing else.

CHAPTER 4

The Greeks — Your Options Dashboard

If the options vocabulary in Chapter 3 is the language of options, the Greeks are the instruments on your dashboard. They tell you, at any moment, exactly how your option position will behave — how it responds to price changes, to the passage of time, and to changes in market volatility.

Most beginners are intimidated by the Greeks. This chapter removes that intimidation permanently. You need to understand four Greeks in practical, trading terms. Not mathematically. Practically.

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Delta — The Probability and Sensitivity Gauge

Delta measures two things simultaneously, and understanding both is essential.

First meaning: how much the option's price changes for every ₹1 move in the underlying stock. A call with Delta 0.30 increases in price by approximately ₹0.30 for every ₹1 the stock rises.

Second meaning (more important for practitioners): the approximate probability that the option will expire in-the-money. A Delta of 0.30 means there is roughly a 30% chance the option finishes in-the-money at expiry — and a 70% chance it expires worthless.

For covered call writers, Delta is the primary strike selection tool. The target: Delta 0.20 to 0.30. This means you are selling calls with a 70 to 80% probability of expiring worthless — keeping the full premium. For protective put buyers, Delta 0.20 to 0.30 provides meaningful insurance at an affordable premium.

————— Delta Prob. of
ITM What It Means Conservative Range at Expiry Use —————
— ————— -- 0.05--0.10 5--10% Deep OTM — very
cheap, Tail risk rarely pays insurance only

0.15--0.20 15--20% Far OTM — cheap, Conservative limited income covered calls in bull market

0.20--0.30 20--30% Moderate OTM — TARGET Standard covered ZONE calls and cash-secured puts

0.30--0.40 30--40% Near OTM — richer Elevated IV premium, more risk environments only

0.40--0.50 40--50% Near ATM — maximum Rarely used for time value conservative selling

Theta — Your Daily Income Clock

Theta is the daily rate at which an option loses time value. For option sellers, Theta is their daily income. For option buyers, it is their daily cost.

A call option with Theta of ₹0.80 per share loses ₹0.80 per share per day. As the seller, you collect this erosion — the option's value declines toward zero in your favour, even if the stock price does not move at all.

The critical insight about Theta: it is not linear. It accelerates dramatically in the final 10 to 14 days before expiry. An option with 30 days to expiry loses roughly 30% of its remaining time value in the last 7 days. This is the 'sweet spot' of covered call writing — the final week of each expiry cycle, where Theta decay is fastest.

	Days to Expiry	Daily Theta % of Premium	Implication for Sellers
100%	30 days	Slow	Full premium — enter positions here

21 days Moderate ~72% Theta accelerating — good entry point

14 days Fast ~50% Half the premium decayed — consider rolling

7 days Very fast ~28% Fastest decay — maximum Theta benefit

2 days Extremely fast ~10% Close or let expire — minimal value remaining

Expiry Complete 0% All time value gone — seller keeps full premium

Vega — The Volatility Multiplier

Vega measures how much an option's price changes for every 1% change in implied volatility (IV). An option with Vega of ₹0.20 will increase by ₹0.20 per share for every 1% rise in IV.

For sellers, Vega creates the 'sell high IV' opportunity. When market fear rises (VIX spikes, pre-earnings, pre-RBI announcement), IV inflates and option premiums become richer. Selling covered calls or cash-secured puts in elevated IV environments collects more premium for the same risk. After the event, IV typically crushes — the option loses value rapidly due to both Theta decay and IV decline. The seller benefits twice.

Practical Vega rule: check IV Percentile (IVP) before every options trade. IVP above 50 means premiums are elevated — a good environment to sell. IVP below 20 means premiums are thin — wait or tighten strikes.

Gamma — The Warning Signal

Gamma measures how quickly Delta changes as the underlying price moves. High Gamma means your position's probability of assignment can shift rapidly on small price movements.

Gamma is highest for ATM options near expiry. For conservative covered call writers, Gamma is primarily a warning signal: if your stock is within 1 to 1.5% of your strike with fewer than 7 days to expiry, high Gamma means assignment probability can spike quickly on a small move. Action: review the position and consider closing or rolling rather than holding through the high-Gamma zone.

> THE FOUR-GREEK SYSTEM Delta tells you your probability. Theta > tells you your daily income. Vega tells you when to sell. Gamma tells > you when to be careful. These four numbers — understood practically > — are everything you need to trade options with confidence.

CHAPTER 5

Reading an Options Chain Like a Pro

The options chain is your cockpit. It displays every available option for a given stock — all strikes, all expiries, all premiums, all Greeks. Reading it fluently is the bridge between theory and execution. After this chapter, you will be able to open any options chain on NSE and immediately identify the information you need for any conservative strategy.

The Structure of an Options Chain

An options chain has three sections: the Call side on the left, the Strike prices in the middle, and the Put side on the right. Calls and puts at the same strike are mirror images of each other — as the call Delta rises, the put Delta rises symmetrically.

Here is a simplified HDFC Bank options chain at ₹1,650 CMP with 20 days to monthly expiry:

Call	Call	Call	Call	STRIKE	Put	Put	Put	Put	OI	LTP	Delta	Theta	Delta	Theta
LTP	OI	---	--	---	--	---	---	---	---	---	---	---	---	---
---	4,200	₹68	0.65	-0.82	1,600	ITM	-0.35	-0.62	₹22	6,100				
9,800	₹42	0.50	-0.92	1,650	ATM	-0.50	-0.90	₹42	11,200					
18,400	₹22	0.30	-0.88	1,700	OTM	-0.70	-0.74	₹72	8,900					
15,600	₹12	0.19	-0.72	1,750	OTM	-0.81	-0.58	₹102	5,400					
9,200	₹6	0.11	-0.52	1,800	OTM	-0.89	-0.38	₹142	3,100					

Reading Each Column — What You Are Looking At

Strike Column (Centre)

The price at which the option gives rights. Strikes below the current price (1,600) are In-the-Money for calls. The 1,650 strike is At-the-Money. Strikes

above (1,700, 1,750, 1,800) are Out-of-the-Money for calls — this is the covered call seller's territory.

Call Delta

Your primary strike selection tool. In this chain, the 1,700 Call has Delta 0.30 — the top of the target zone. The 1,750 Call has Delta 0.19 — the conservative end. For a standard monthly covered call on HDFC Bank, the 1,700 or 1,750 strike is your range.

Call LTP / Premium

The last traded price per share. The 1,700 Call trades at ₹22. On a lot of 1,100 shares, your income from selling this call: $1,100 \times ₹22 = ₹24,200$. Always place limit orders at the midpoint of bid and ask — not at the LTP, which may be stale.

Open Interest

The 1,700 Call has 18,400 lots of OI — excellent liquidity. The 1,800 Call has only 9,200 lots — still tradeable but verify the bid-ask spread before entering. Below 5,000 lots OI, spreads can be wide enough to significantly reduce your effective income.

Call Theta

The 1,700 Call has Theta -0.88 . As the seller, you collect ₹0.88 per share per day from time decay. On 1,100 shares: ₹968 per day — just from time passing. Over 20 days to expiry: theoretical total Theta = ₹19,360 (though actual collection is non-linear due to Theta acceleration).

Put Side — For Protective Put Buyers

Reading the put side for insurance purposes: the 1,600 Put has Delta -0.35 and trades at ₹22. Buying this put on 1,100 shares costs $1,100 \times ₹22 = ₹24,200$. If HDFC Bank falls to ₹1,400 (15% crash), the 1,600 Put is worth ₹200 per share — a profit of ₹1,78,000 on a ₹24,200 investment, offsetting your equity portfolio's paper loss.

— — —

The Five-Second Chain Reading Routine

Once fluent, reading an options chain for a covered call decision takes less than five seconds:

1. Find where $\Delta = 0.25$ on the Call side. Note the strike.
2. Check OI at that strike — is it above 10,000 lots? If yes, proceed.
3. Note the premium (LTP). Calculate: $\text{premium} \times \text{lot size} = \text{your monthly income}$.
4. Check IVP on Sensibull — is it above 30? Good environment to write.
5. Place limit order at midpoint of bid-ask spread.

That is the complete covered call selection process. Every time. Without exception.

> THE CHAIN IN PRACTICE An options chain is not intimidating once > you know what you are looking for. Δ for strike selection. Premium > for income calculation. OI for liquidity confirmation. Theta for daily > earnings. Four numbers, five seconds, decision made.

CHAPTER 6

Strategy 1 — The Protective Put (Portfolio Insurance)

The protective put is the most fundamental options strategy for the long-term investor. It is, in the most literal sense, insurance for your equity portfolio. You pay a premium. In exchange, your downside is capped at a defined level regardless of how far the market falls.

If you have read Book 5 in this series (The Bear Proof Portfolio), you already understand protective puts in the context of portfolio hedging. This chapter goes deeper — explaining the mechanics, the exact payoff profiles, the cost structures, and how to optimise the strategy for different portfolio sizes and risk tolerances.

The Complete Mechanics

You own 1,100 shares of HDFC Bank at ₹1,650 (current market price). You are concerned about a potential market correction. You buy 1 lot of the HDFC Bank ₹1,600 Put option (3% OTM) at ₹22 per share.

Cost of insurance: $1,100 \times ₹22 = ₹24,200$.

What this buys you: the right to sell your 1,100 HDFC Bank shares at ₹1,600 per share at expiry, regardless of where the stock is actually trading.

————— - HDFC Bank at
Your Put Net Portfolio Vs Expiry Value Position Unhedged —————

————— ₹1,800 (+9.1%) ₹0 (expired
OTM) Gain ₹1,65,000 shares – ₹24,200 less ₹24,200 cost = ₹1,40,800

₹1,650 (flat) ₹0 (expired OTM) ₹0 shares – ₹24,200 cost ₹24,200 less =
–₹24,200

₹1,500 (–9.1%) ₹1,10,000 profit –₹1,65,000 shares + ₹1,10,000 on put
₹1,10,000 put = –₹55,000 better net

₹1,200 (−27.3%) ₹4,40,000 profit −₹4,95,000 shares + ₹4,40,000 on put
₹4,40,000 put = −₹55,000 better net

₹1,000 (−39.4%) ₹6,60,000 profit −₹7,15,000 shares + ₹6,60,000 on put
₹6,60,000 put = −₹55,000 better net

The key insight from this table: below ₹1,600, your maximum loss is capped at ₹55,000 (the ₹24,200 put cost + ₹30,800 loss from ₹1,650 to ₹1,600). No matter how far HDFC Bank falls — to ₹1,000, to ₹500, in a complete bankruptcy — your maximum loss is fixed at ₹55,000. This is the fundamental power of portfolio insurance.

Protective Put for the Full Portfolio — The Index Approach

For portfolios of multiple stocks, buying individual stock puts is expensive and complex. The efficient approach: buy Nifty Put options sized to your portfolio's Beta, as described in Book 5. This provides portfolio-level insurance at a fraction of the cost of hedging every individual holding.

A ₹25 lakh diversified equity portfolio with Beta 1.1 requires approximately 1 to 2 lots of Nifty 65-share lot puts at 8% OTM. Monthly cost: approximately ₹3,000 to ₹5,500. Annual cost: approximately ₹36,000 to ₹66,000, or 0.14 to 0.26% of portfolio value. This is the cost of keeping your entire portfolio insured against a market-wide crash.

When to Buy Protective Puts

When the market is at or near all-time highs and India VIX is below 14 (complacency zone)

Before scheduled high-impact events: RBI policy, Union Budget, quarterly results of major holdings

When you have significant unrealised gains you want to protect without triggering LTCG

When global macro conditions are deteriorating: US rate hikes, geopolitical escalation, commodity shocks

As a standard monthly practice — the cost is small enough that continuous protection is economically justified

The Protective Put vs Selling — The Tax Advantage

Many investors who want to 'protect' their gains consider selling — converting equity appreciation to cash. The protective put offers the same downside protection without a tax event. Selling ₹10 lakh of shares with 80% gain triggers approximately ₹1.09 lakh in LTCG. Buying a protective put on those same shares for ₹15,000 to ₹25,000 provides the same downside insurance while preserving the holding and deferring all tax indefinitely.

> TAX EFFICIENCY The protective put is the most tax-efficient form > of portfolio insurance available to the Indian investor. It costs far > less than the LTCG tax triggered by selling, provides the same > downside protection, and preserves your shares for continued long-term > compounding.

CHAPTER 7

Strategy 2 — The Covered Call (Rent Your Shares)

The covered call is the income engine of conservative options practice. It has been covered extensively in Books 2 and 4 of this series. This chapter provides the comprehensive deep-dive — the complete strategy reference from basic execution to advanced optimisation.

The Strategy in One Sentence

You own shares. You sell someone else the right to buy those shares from you at a higher price. They pay you a premium upfront. If the stock stays below that price, you keep the premium and your shares. If the stock rises above it, you sell at the agreed price — still profitably.

Complete Profit/Loss Profile

	Stock Price
Premium Share Total Annualised at Expiry Kept P&L P&L Return	_____
_____	₹1,550 (fell ₹22,000
–₹1,10,000 –₹88,000 Reduced loss 6.1%) (full)	
₹1,650 (flat) ₹22,000 ₹0 ₹22,000 ~14.8% p.a. (full)	
₹1,700 (strike) ₹22,000 ₹55,000 gain ₹77,000 ~51.6% p.a. (full)	
₹1,750 (above ₹22,000 ₹55,000 ₹77,000 ~51.6% p.a. strike) (full) (capped at (capped) strike)	_____

(Based on 1,100 HDFC Bank shares at ₹1,650, 1,700 Call sold at ₹20 per share = ₹22,000 income, 20 days to expiry)

The Rolling Playbook — Complete Reference

Rolling is the advanced skill that separates good covered call writers from exceptional ones. There are four rolling scenarios, each with a specific action:

Roll 1: Stock Near Strike With Time Remaining (Proactive Roll)

Trigger: stock within 2% of strike, more than 7 days to expiry, Delta above 0.40.

Action: buy back the current call, sell next month's call at a higher strike. Target: net credit (more collected than paid). This extends your time horizon, moves your strike higher, and captures additional premium while preserving the position.

Roll 2: Call Deep OTM, Mostly Decayed (Early Close Roll)

Trigger: current call has lost 80%+ of its value, 10+ days remain to expiry.

Action: close the current call (buy it back cheaply) and immediately open next month's call. You capture the next cycle's Theta decay earlier, increasing annual income by 15 to 25%.

Roll 3: Stock Gapped Up on Earnings (Emergency Roll)

Trigger: earnings gap puts stock significantly above your strike overnight.

Action: assess whether the gap is fundamental (upgrade your view on the stock) or technical (likely to fade). If fundamental, accept assignment and rebuild. If technical, roll up and out aggressively, accepting a net debit roll if necessary to avoid assignment at a disadvantageous price.

Roll 4: Assignment Imminent at Expiry

Trigger: stock above strike at expiry. Assignment will happen automatically.

Action: one of three choices — accept assignment (take profit on shares + premium), buy back the call (small cost, keep shares, lower effective income), or roll to next month. The choice depends on your current view of the stock and whether you want to maintain the position.

> THE INCOME POTENTIAL The covered call, executed monthly with > disciplined rolling, generates 12 to 18% annual income from your > equity portfolio. On a ₹50 lakh portfolio, that is ₹6 to ₹9 lakh per > year — from shares you continue to own and that continue to grow in > value.

CHAPTER 8

Strategy 3 — The Cash-Secured Put (Get Paid to Buy)

The cash-secured put is one of the most elegant and least-known strategies in conservative options practice. It allows you to get paid to buy a stock at a price you have already decided you would be happy to own it at. If the stock never reaches your target price, you keep the payment. If it does, you buy it — at a price you wanted anyway.

— — —

The Mechanics

You want to own Reliance Industries at ₹2,700 — currently trading at ₹2,850. Rather than placing a limit buy order and waiting, you sell a Reliance ₹2,700 Put option expiring in one month at ₹28 per share. You hold ₹6,75,000 in your trading account (sufficient to purchase 250 shares at ₹2,700 if assigned) — this is the 'cash-secured' part.

Two outcomes:

Reliance stays above ₹2,700 at expiry: Put expires worthless. You keep ₹7,000 premium ($250 \times ₹28$). You did not buy the shares — but you were paid ₹7,000 for your willingness to do so. Next month, sell again.

Reliance falls below ₹2,700 at expiry: You buy 250 shares at ₹2,700. Your effective cost: $₹2,700 - ₹28 \text{ premium} = ₹2,672$ per share. You own shares you wanted, at a price 6.2% below the original market price.

Reliance at **Outcome** **Your Economic Position

Expiry	-----	₹3,000
(rose)	Put expires	Keep ₹7,000. Sell again next month. worthless
₹2,800	Put expires	Keep ₹7,000. Did not buy — still (flat-ish) worthless paid.
₹2,700 (at Borderline	—	Keep ₹7,000. Very close call. strike) likely expiry worthless

₹2,600 (fell) Put exercised — Own 250 shares at effective cost buy at ₹2,700
₹2,672

₹2,400 (sharp Put exercised — Own shares at ₹2,672 vs market fall) buy at
₹2,700 ₹2,400. Unrealised loss. _____

Why This Strategy Works for Long-Term Investors

The cash-secured put is ideal for investors who have identified quality stocks they want to own but find the current price slightly above their comfort level. Instead of waiting passively, you get paid to wait. Every month you collect premium while waiting for the stock to reach your target buy price.

Over 12 months of selling monthly cash-secured puts at Delta 0.25 on Reliance at a ₹2,700 target: if the stock never reaches ₹2,700, you collect approximately $₹7,000 \times 12 = ₹84,000$ in annual income from ₹6,75,000 of reserved capital — a 12.4% return on capital that was simply sitting in your trading account waiting to deploy.

The Risk — And How to Manage It

The risk of a cash-secured put: the stock falls significantly below your strike and you are assigned at a price above current market. If Reliance falls to ₹2,200 and you are assigned at ₹2,700 (effective ₹2,672), you have an unrealised loss of ₹472 per share.

Mitigation: only sell cash-secured puts on stocks you have fundamentally analysed and genuinely want to own for the long term. If you would not be comfortable holding the stock through a 20% decline, do not sell the put. The strategy only works when assignment is acceptable — when you would actually be happy to own the shares at the strike price.

Also: keep the reserve capital in a liquid fund rather than a savings account — earning 6 to 7% while waiting, adding to the total return of the strategy.

> THE STRATEGIC ADVANTAGE The cash-secured put converts 'I want to > buy this stock at ₹X' from a passive wish into an active income > strategy. You get paid every month for your willingness to buy. If you > eventually do buy, you buy cheaper than anyone who waited passively.

CHAPTER 9

Strategy 4 — The Collar (Zero-Cost Protection)

The collar is the most elegant risk management strategy in conservative options practice. It combines a covered call (income) with a protective put (insurance) on the same underlying position — and when structured correctly, the premium collected from the covered call exactly funds the cost of the protective put. Result: zero-cost portfolio insurance.

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The Mechanics

You own 1,100 shares of HDFC Bank at ₹1,650. You want to protect against a crash but do not want to pay for insurance out of pocket.

Step 1 — Sell a covered call: sell the HDFC Bank ₹1,720 Call at ₹18 per share. Income: $1,100 \times ₹18 = ₹19,800$.

Step 2 — Buy a protective put: buy the HDFC Bank ₹1,580 Put at ₹16 per share. Cost: $1,100 \times ₹16 = ₹17,600$.

Net premium: ₹19,800 received – ₹17,600 paid = ₹2,200 net credit. The collar has a slight credit — you are paid ₹2,200 for having complete protection in place.

HDFC Bank at **Call Impact** **Put Impact** **Net Position

Expiry _____ ₹1,750
(rose Shares called Put expires Profit ₹70,000 + ₹2,200 above call) at ₹1,720
worthless net = ₹72,200 capped

₹1,720 (at call May be called Put expires Profit ₹77,000 + ₹2,200 strike) away
at ₹1,720 worthless

₹1,650 (flat) Call expires Put expires ₹2,200 net credit kept worthless
worthless

₹1,580 (at put Call expires Put at Small loss offset by strike) worthless breakeven ₹2,200

₹1,400 (crashed Call expires Put profit Loss on shares capped; -15%) worthless ₹1,98,000 put compensates

₹1,200 (crashed Call expires Put profit Maximum loss still -27%) worthless ₹4,18,000 capped at put strike

When to Use a Collar

When you have significant unrealised gains on a holding and want to protect them without selling (and without paying the LTCG)

Before a binary event (earnings, regulatory outcome) where you want to participate in upside but cannot afford the downside

When IV is elevated — the rich covered call premium more than funds the put, creating a net credit collar

For positions you plan to hold for the very long term but where near-term volatility concerns you

The Zero-Cost Collar in Practice

The optimal collar: choose call and put strikes where the call premium exactly equals the put premium. This creates a truly zero-cost structure. In practice, the call strike will be somewhat above ATM and the put strike somewhat below ATM — giving your shares room to grow while providing a floor below which they cannot fall.

A typical zero-cost collar: sell the 5% OTM call, buy the 5% OTM put. In high-IV environments (VIX above 18), this can be structured as a net credit — the call premium exceeds the put cost because calls and puts are not symmetrically priced.

> ZERO-COST PROTECTION The collar is the only strategy that > provides downside insurance at zero or negative cost. In elevated IV > environments, you are literally paid to have crash protection in > place. This is the gold standard of conservative risk management.

CHAPTER 10

Strategy 5 — Bull Put Spread and Bear Call Spread

Spreads represent the next step in conservative options practice — strategies that define both maximum profit and maximum loss before the trade begins. Unlike naked option selling (which has theoretically unlimited risk), spreads cap your downside precisely in exchange for a slightly reduced premium.

For conservative investors who want the income of option selling without the tail risk of unlimited loss, spreads are the natural evolution.

The Bull Put Spread

A Bull Put Spread involves selling a put at a higher strike and simultaneously buying a put at a lower strike — both on the same underlying and same expiry. You collect a net premium (the higher strike put premium minus the lower strike put premium). Your maximum loss is capped at the difference between the strikes minus the net premium received.

Example: Nifty Bull Put Spread

Nifty at 24,500. You are moderately bullish — you believe Nifty will not fall below 23,500 by expiry.

Sell Nifty 24,000 Put at ₹80 per share. Income: $65 \times ₹80 = ₹5,200$.

Buy Nifty 23,500 Put at ₹45 per share. Cost: $65 \times ₹45 = ₹2,925$.

Net credit received: $₹5,200 - ₹2,925 = ₹2,275$.

Maximum profit: ₹2,275 (if Nifty stays above 24,000 at expiry).

Maximum loss: $(24,000 - 23,500) \times 65 - ₹2,275 = ₹32,500 - ₹2,275 = ₹30,225$.

Breakeven: $24,000 - (₹2,275 / 65) = 23,965$.

Nifty at **24,000 Put **23,500 Put **Net P&L

Expiry P&L P&L

- 25,000 (rose) ₹5,200 profit - ₹2,925 cost + ₹2,275 (max profit)

24,500 (flat) ₹5,200 profit - ₹2,925 cost + ₹2,275 (max profit)

24,000 (at sold ₹5,200 profit - ₹2,925 cost + ₹2,275 (max strike) profit)

23,965 ₹5,200 - small - ₹2,925 + small ₹0 (breakeven) loss gain

23,500 (at ₹5,200 - ₹32,500 - ₹2,925 + ₹32,500 - ₹30,225 (max loss) bought strike)

23,000 (below ₹5,200 - ₹65,000 - ₹2,925 + ₹65,000 - ₹30,225 (max loss both) — capped)

The crucial feature: the maximum loss is ₹30,225 — regardless of how far Nifty falls. Even a 30% crash cannot produce more than ₹30,225 of loss on this trade. This is the fundamental advantage of spreads over naked put selling.

The Bear Call Spread

The mirror image of the Bull Put Spread. You sell a call at a lower strike and buy a call at a higher strike. You collect a net premium and cap your maximum loss. Used when you expect the market to remain flat or decline slightly.

Example: sell Nifty 25,000 Call at ₹75 (₹4,875 income), buy Nifty 25,500 Call at ₹42 (₹2,730 cost). Net credit: ₹2,145. Maximum loss: $(25,500 - 25,000) \times 65 - ₹2,145 = ₹32,500 - ₹2,145 = ₹30,355$. Suitable for sideways-to-slightly-bearish views.

> DEFINED RISK Spreads solve the primary concern that conservative > investors have about option selling: 'What if the market moves > against me dramatically?' A spread answer: 'Your maximum loss is > exactly ₹30,225 — defined before you enter the trade, fixed > regardless of what happens next.' This is options risk management at > its most precise.

CHAPTER 11

Strategy 6 — Calendar Spreads and Diagonal Spreads

Calendar and diagonal spreads are the most sophisticated strategies in this book — and also the most powerful for generating consistent income with limited risk. They exploit the different rates of time decay between near-term and longer-term options.

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The Calendar Spread — Trading Time Decay Differentials

A calendar spread (also called a horizontal spread) involves selling a near-term option at a given strike and buying a longer-term option at the same strike. Both legs are at the same strike and on the same underlying. You profit from the faster decay of the near-term option you sold.

Why Calendar Spreads Work

Near-term options decay faster than longer-term options. A monthly option loses its remaining time value much faster than a quarterly option with the same strike. By selling the near-term option (fast decay) and buying the longer-term option (slow decay), you create a position where time passage is your primary profit driver.

Example: Infosys at ₹1,400.

Sell Infosys ₹1,400 Call (current month, 20 days). Premium received: ₹28.

Buy Infosys ₹1,400 Call (next month, 50 days). Premium paid: ₹42.

Net debit: ₹14 per share. On 300 shares (1 lot): ₹4,200 investment.

If Infosys stays near ₹1,400 over the next 20 days: near-term call decays to near zero, longer-term call retains most of its value. Position profit: ₹1,500 to ₹2,500 on ₹4,200 investment (35 to 60% return in 20 days).

When Calendar Spreads Work Best

Calendar spreads perform best in low-volatility, range-bound markets — exactly when most other strategies struggle. When Nifty or a stock is consolidating, the ATM calendar spread extracts maximum Theta differential with minimal directional risk.

The Diagonal Spread — Income With Directionality

A diagonal spread is a calendar spread where the two legs are at different strikes. It combines the time decay advantage of a calendar spread with a slight directional bias.

Poor Man's Covered Call (PMCC) — The Most Popular Diagonal: instead of owning 100 shares to write a covered call, you buy a deep ITM long-dated call (acting as a share substitute) and sell a near-term OTM call against it. Capital required: significantly less than owning actual shares.

Example: Reliance at ₹2,900.

Buy Reliance ₹2,600 Call (3 months out, deep ITM). Delta 0.80. Cost: ₹320 per share $\times$ 250 = ₹80,000.

Sell Reliance ₹3,000 Call (current month, OTM). Premium: ₹25 per share $\times$ 250 = ₹6,250.

Repeat the short call sale monthly. Monthly income: ₹6,250. Annual income: ₹75,000 on ₹80,000 investment = 93.75% annual return on capital.

The risk: if Reliance falls sharply below ₹2,600, the long call loses intrinsic value. Unlike owning actual shares, the maximum loss is capped at the cost of the long call (₹80,000) — you cannot lose more than your investment, unlike a shareholder whose loss could theoretically be larger relative to capital deployed.

> THE COMPLETE TOOLKIT Calendar and diagonal spreads are the > strategies that turn quiet, range-bound markets into income > opportunities. When the market does nothing, these strategies earn. > Combined with covered calls during trending markets and protective > puts during crashes, they complete the full-year income calendar.

CHAPTER 12

IV Strategy — When to Buy and When to Sell Premium

Understanding implied volatility (IV) and its cycles is the difference between average options income and exceptional options income. The investor who buys insurance when it is cheap and sells premium when it is rich earns significantly more than one who ignores IV entirely.

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The IV Cycle — How It Moves Predictably

Implied volatility follows a recognisable pattern in Indian markets, tied to the economic calendar. Understanding this calendar allows you to systematically time your options strategies for maximum benefit.

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Period / Event** **IV Behaviour** **Best Strategy

————— ————— ————— Pre-earnings (5
IV rises sharply Sell covered calls / days before) — premiums cash-secured
puts inflate

Earnings day IV at peak Sell straddles (advanced) or collar the position

Post-earnings (1--2 IV crushes rapidly Buy cheap calls/puts for next days
after) month

Pre-RBI policy Banking sector IV Sell BankNifty covered calls or (3--5 days
before) rises spreads

Post-RBI (same day) IV normalises Re-enter positions at lower within hours
cost

Pre-Budget (10--14 Market-wide IV Sell broad-market covered calls days
before) rises and put spreads

Post-Budget (1--3 IV crushes across Ideal entry for protective puts days after)
the board at low cost

Quiet period (no IV drifts low Calendar spreads — exploit events) Theta differentials

Global shock India VIX spikes Buy protective puts (unexpected) suddenly immediately; sell when VIX normalises

India VIX — The Master Indicator

India VIX is the single most useful forward-looking indicator for options practitioners. It measures the market's expected 30-day volatility and is derived from Nifty options prices.

India VIX **Market **Options Action

Level	State			
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Below 12	Extreme	Buy protective puts immediately	—	complacency cheapest they will be
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12--15	Calm normal	Standard covered calls at Delta 0.25; sell premium freely		
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15--18	Mild concern	Richer premiums — increase covered call frequency or tighten strikes slightly		
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18--22	Elevated fear	Very rich premiums — sell covered calls, cash-secured puts, and spreads aggressively		
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22--28	High fear	Maximum premium selling opportunity; buy puts only if VIX just started rising		
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Above 28	Crisis	Hold existing short premium positions; stop adding new short positions		
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The IV Percentile Tool — Practical Application

IV Percentile (IVP) shows where today's IV sits relative to the past 52 weeks of IV for a specific stock. Check IVP on Sensibull before every options trade.

IVP above 60: premiums are elevated above 60% of all days in the past year. Excellent selling environment. Write covered calls, sell cash-secured puts, deploy spreads.

IVP 30--60: normal environment. Standard strategy execution at target Delta.

IVP below 30: premiums are thin. Consider: tightening strikes (going slightly less OTM for same income), calendar spreads (which profit from Theta differentials regardless of IV level), or waiting.

IVP below 15: historically cheap insurance. Best time to buy protective puts for the year. Premiums may never be this low again until the next extended calm period.

CHAPTER 13

Risk Management for Options Practitioners

The six strategies in this book are all conservative by design. But 'conservative' does not mean 'risk-free'. Every options position carries defined risks, and managing those risks systematically is what separates sustainable practitioners from those who eventually blow up a position.

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The Five Rules of Options Risk Management

Rule 1: Never Sell Naked — Always Covered or Spread

Every option you sell must be either: (a) covered by the underlying shares (covered call, covered put), (b) secured by cash (cash-secured put), or (c) spread with a bought option at a different strike (bull put spread, bear call spread). Never sell a naked call or naked put without this coverage. The theoretical risk of naked options is unlimited — a single position can destroy an entire account.

Rule 2: Size Positions to Withstand the Worst Realistic Outcome

Before entering any spread or short premium position, calculate the maximum loss and confirm your account can absorb it without significant distress. For a bull put spread with ₹30,000 maximum loss, this should represent no more than 5 to 10% of your total options capital. For covered calls, the underlying shares' maximum potential loss (a 30% correction) should be within your emotional and financial tolerance.

Rule 3: Pre-Define Your Exit for Every Trade

Before entering any options position, write down three things: (a) the maximum loss you will accept before closing — typically 2 to 3 times the premium received for spreads, (b) the profit target at which you will close early (typically 50% of maximum profit), and (c) the event that would invalidate your thesis and require immediate review.

Rule 4: Respect Earnings Calendar Above All Else

Never hold a short premium position through an earnings announcement without specific intent. Earnings gaps can invalidate any short-premium position instantly. Check the earnings calendar before every trade entry. If earnings fall within the option period, either: avoid the trade, choose strikes far enough OTM to survive a gap, or specifically structure a pre-earnings premium sale followed by immediate close after results.

Rule 5: The 10% Portfolio Allocation Rule

For investors who are primarily long-term equity holders using options as an overlay, total options premium at risk (maximum loss across all spread positions) should not exceed 10% of your total portfolio value at any given time. Covered calls and protective puts are excluded from this calculation since they are directly linked to underlying positions. Only standalone spread trades are included.

Position Sizing for Conservative Options

Strategy** **Maximum **Risk Metric** **Exit Trigger

Allocation —————

Covered Call 100% of F&O Assignment risk — Delta $\geq 0.45 \rightarrow$ eligible holdings defined roll

Protective Put Up to 1% of Premium paid is max Hold to expiry or portfolio per loss sell after IV crush month

Cash-Secured Up to 30% of Assignment = owning Close if stock Put liquid capital stock at strike falls 20%+ below per underlying strike

Collar Entire portfolio Capped on both Review monthly — no limit sides

Bull Put Spread 5% of options Defined max loss Close at $2 \times$ premium capital per trade received loss

Bear Call 5% of options Defined max loss Close at $2 \times$ premium Spread capital per trade received loss

Calendar Spread 3% of options Net debit paid is Close if stock capital per trade max loss moves $\geq 5\%$ from strike —————

CHAPTER 14

Building Your Options Practice — The 90-Day Plan

The journey from fearful beginner to confident options practitioner does not happen overnight. It happens through structured, sequenced learning — theory confirmed by paper trading, paper trading confirmed by small live positions, small positions scaled into a full practice.

This 90-day plan is designed for both reader types: the complete beginner who has never executed a single F&O trade, and the burned trader who needs to rebuild their practice on a sound foundation.

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Days 1--15: Foundation

6. Enable F&O trading on your demat account if not already done. Upload income proof. Takes 2 to 5 business days.
7. Create a free Sensibull.com account. Navigate to any major F&O stock (HDFC Bank, Reliance, TCS). Spend 30 minutes reading the live options chain — identifying strikes, Delta, OI, and premium. Do this daily for 5 days until the chain feels familiar.
8. Read the India VIX level every trading day. Note it in a simple log. After 10 days, you will begin to feel whether today's VIX is normal, elevated, or suppressed.
9. Paper trade your first covered call: identify a stock in your portfolio with an F&O listing. Choose the Delta 0.25 monthly call. Write down the details as if you had placed the order. Track daily.
10. Paper trade your first protective put: identify the 8% OTM Nifty Put for the current month. Note the premium. Calculate what it would cost to protect your full portfolio.

Days 16--30: Paper Trading

11. Paper trade covered calls on 3 positions simultaneously. Track each daily — noting price changes, Delta drift, and Theta decay.
12. Paper trade one cash-secured put on a stock you have been wanting to buy. Set a 'would be happy to own at' price. Find the corresponding put strike. Track for the full expiry cycle.
13. Paper trade one bull put spread on Nifty. Choose strikes 2 to 3% OTM. Calculate maximum profit, maximum loss, and breakeven. Track daily.
14. At expiry Thursday/Tuesday, review all paper positions. What expired worthless? What moved toward your strike? What were your paper profits and losses? Record everything.
15. Calculate your total paper income for the month. Compare against a simple 'did nothing' baseline. This exercise makes the opportunity cost of inaction visceral.

Days 31--60: First Live Trades

16. Execute your first live covered call on your largest F&O holding. One lot only. Use a limit order at the midpoint of bid-ask. Record in your tracking sheet.
17. Buy your first live protective put — one Nifty Put at 8% OTM, one lot. This is your portfolio insurance. Confirm the position in your broker account.
18. Set all reminders: NSE expiry (Tuesday), BSE expiry (Thursday), Friday rebalancing.
19. After your first expiry: what happened? Did the covered call expire worthless? Was the put needed? Record outcomes and note what you felt psychologically at each step.
20. Execute a cash-secured put on a stock you want to own. Hold the required cash in the account.
21. Scale to 2 to 3 covered call positions across different sectors for diversification.

Days 61--90: Building the Practice

22. Add your first spread trade: one bull put spread on Nifty, sized at 2 to 3% of options capital. Track maximum profit, current P&L, and exit plan.
23. Try your first collar on a holding with significant unrealised gains. Structure it as net zero cost or slight credit.
24. Review your 60 days of live trading. Calculate: total premium collected, total premium paid for protection, net income. What is your actual net monthly return?
25. Identify which strategies worked best for your specific portfolio, temperament, and time availability. Build your 'house strategy' — the approach you will run consistently.
26. Set your 12-month options income target. Based on your current portfolio and the strategies you have mastered, project your expected annual income from options. Track against this target quarterly.
27. Read Books 2, 4, and 5 of this series if you have not already — the covered call, liquidity, and crash protection systems that use these strategies in a fully integrated wealth framework.

The 90-Day Milestone Checklist

Milestone** **Target **Notes

Day _____ -- _____ F&O
account activated Day 3

Options chain read fluently Day 10 Can identify strike, Delta, OI in < 10
seconds

Paper: first covered call Day 5

Paper: first protective put Day 7

Paper: first bull put spread Day 14

Paper: first cash-secured put Day 20

First live covered call Day 32 1 lot, limit order

First live protective put Day 33 Nifty 8% OTM

First live cash-secured put Day 40 Stock you genuinely want to own

First live spread trade Day 65 Bull put spread, small size

First collar executed Day 70 Net zero cost

90-day net income calculated Day 90 Target: 0.8--1.2% of portfolio value —

Final Words

From Gambling to Craft

There is a Chinese proverb: 'The best time to plant a tree was twenty years ago. The second best time is now.'

For options education, the best time to learn the correct approach was before your first trade. The second best time is right now — after reading this book.

The 89% of F&O traders who lost money in the SEBI study were not using options as tools. They were using them as lottery tickets — placing directional bets with embedded leverage, hoping for large gains, accepting large losses. The instrument was the same as what you have learned in this book. The application was completely different.

What you now have — having read to this page — is the complete toolkit of conservative options practice. Six strategies. A thorough understanding of the Greeks. The ability to read an options chain fluently. An IV timing system. A risk management framework. And a 90-day action plan to take you from knowledge to live execution.

This is the same toolkit that the 11% of profitable F&O practitioners used during the period SEBI studied. They were not smarter. They were not better at predicting markets. They were simply using the instrument for what it was designed for: managing risk and generating income from assets they already owned.

Options without fear is not a state of ignorance — it is a state of competence. You are no longer afraid of options because you no longer misunderstand them. You understand exactly what each strategy does, what it costs, what it earns, and what risks it carries. Fear comes from the unknown. Mastery replaces fear with confidence.

Use the strategies in this book. Start with covered calls and protective puts — the two strategies that directly enhance your existing equity portfolio. Add cash-secured puts when you find quality stocks you want to own. Build toward collars and spreads as your confidence grows.

The craft of options practice is not mastered in 90 days. It deepens with every expiry cycle, every roll, every decision at an earnings inflection. But the foundation — the framework, the vocabulary, the risk discipline — is now in place.

Build on it.

— Yogeshwar Vashishtha

Mumbai, 2026

This is Book 6 in the series:

Book 1: Buy. Protect. Rent.

Book 2: The Friday Income Blueprint

Book 3: The Salary Investor

Book 4: Don't Sell Your Shares

Book 5: The Bear Proof Portfolio

Book 6: Options Without Fear

For courses, workshops, and mentorship: www.pathfinderstrainings.com

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Acknowledgements

The question that started this book came from a student in 2019.

She had been investing in equity markets for eight years — a thoughtful, fundamentals-focused investor who had built a solid ₹18 lakh portfolio. She attended my covered call workshop. At the end of the first session, she pulled me aside and said: 'Sir, I have been avoiding F&O my entire investing career because I was sure it was gambling. You have shown me today that covered calls are not gambling. But I need to understand — why does everyone say options are dangerous if they can be used this way?'

I spent an hour answering her question that day. I could not stop thinking about it for months afterward.

The answer is complicated. Options are genuinely dangerous when misused. The SEBI data proves it. But the misuse is not inevitable — it is a choice, driven by the absence of correct education. Most people learn about options from people who use them for speculation: social media traders, 'options experts' on YouTube, tips in WhatsApp groups. The conservative, institutional approach to options — the one that generates consistent income and reduces portfolio risk — is almost never what gets promoted in retail financial media.

This book is my attempt to correct that imbalance. To give every Indian equity investor the same education in conservative options practice that institutional investors take for granted. To replace fear with understanding, and understanding with competence.

To every student who has ever asked 'but why is options considered risky?' — this book is my complete answer.

To the student from 2019 who asked the original question: you went on to run covered calls on your portfolio for the next four years, generating over ₹8 lakh in cumulative premium income while your portfolio grew to ₹34 lakh. You are the evidence that this works. Thank you.

PART TWO

The Friday Income Engine — Covered Calls

With the fear removed, the income engine. This part builds the covered call — the Friday income system — from the ground up: what it is, how to select strikes, how to manage the position week after week, and how to turn the portfolio you already own into a source of regular monthly cash flow. This is the Rent pillar, made operational.

CHAPTER 15

What Is a Covered Call — Really?

Before we get to strategy, execution, or income projections, let us build an absolutely solid understanding of what a covered call actually is. I want you to understand this so clearly that you could explain it to a friend over dinner using nothing but an everyday analogy — because if you cannot explain it simply, you do not yet understand it well enough to trade it confidently.

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The Apartment Analogy

You own an apartment in Bangalore. You bought it three years ago for ₹60 lakh. Today, it is worth approximately ₹78 lakh. You have no intention of selling it — you believe it will be worth ₹1.2 crore in five years and you want to hold through the appreciation.

One day, a real estate developer comes to you with an offer. He says: 'I will pay you ₹1.5 lakh today, right now, for the right to buy your apartment from you at ₹82 lakh, any time in the next three months. You keep the money whether I exercise that right or not.'

You think about this carefully. ₹82 lakh is well above the current market value of ₹78 lakh. You do not believe the property will reach ₹82 lakh in just three months — the Bangalore market is growing but steadily, not sharply. So you agree. You sign the contract. The ₹1.5 lakh is transferred to your account.

Three months pass. The apartment rises to ₹80 lakh — healthy appreciation, but below ₹82 lakh. The developer's right expires unused. He does not exercise it because why would he pay ₹82 lakh for something worth ₹80 lakh? You keep your ₹1.5 lakh, and you still own the apartment.

Next quarter, another developer approaches you with a similar offer. You repeat the process.

This is a covered call. You owned the underlying asset. You sold someone else a time-limited right to buy it at a price above the current market value.

They paid you for that right upfront. When the asset did not reach their target price, their right expired worthless and you kept everything.

> THE MENTAL MODEL A covered call is renting your asset to someone > else for a fixed time period. The premium is your rent. The asset > stays yours unless the renter's specific condition is met. You profit > whether conditions are met or not.

Translating to Stock Market Terms

Now replace every component of the apartment analogy with its stock market equivalent:

Apartment Analogy** **Stock Market Equivalent

Your apartment
Your shares of HDFC Bank, Reliance, TCS, etc.

Developer (right buyer) Option buyer — any market participant

₹82 lakh target price Strike price (e.g. ₹1,750 for HDFC Bank)

₹1.5 lakh upfront payment Options premium (e.g. ₹18 per share × 1,100 shares)

Three-month contract Expiry date (Tuesday for NSE contracts, Thursday for BSE contracts)

Developer exercises / does not Option exercised / expires worthless

Here is a real trade: HDFC Bank is trading at ₹1,650. You own 1,100 shares (one standard lot on NSE). You sell one lot of the HDFC Bank ₹1,750 Call option expiring in four weeks. The option buyer pays you ₹18 per share.

Premium received immediately: $1,100 \times ₹18 = ₹19,800$ — credited to your account the same day.

At expiry, four weeks later, one of three things happens:

Scenario** **HDFC Bank at **What Happens to **Your Final Outcome

Expiry the Option -----

----- Ideal ₹1,680 (stayed Expires worthless Keep ₹19,800 + all below ₹1,750) — buyer walks away 1,100 shares + appreciation

Good ₹1,790 (above Buyer exercises — Keep ₹9,900 + ₹55,000 ₹1,750) you sell at ₹1,750 capital gain on shares

Hedge ₹1,560 (market Expires worthless Keep ₹9,900 — fell) — no reason to partially offsets the exercise paper loss -----

In the ideal scenario — which is your target and which happens approximately 70--80% of the time using the right strike selection method — you collect the full premium and repeat immediately.

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Why the Word 'Covered' Matters

The word 'covered' is not cosmetic. It is the most important word in the entire strategy because it is what makes this approach conservative rather than speculative.

'Covered' means you own the underlying shares. You are covered — if the buyer exercises their right to buy your shares at the strike price, you can deliver those shares because you already own them. There is no risk of unlimited loss.

The opposite is a 'naked' call — selling a call option without owning the underlying shares. If someone buys the right to purchase shares from you at ₹1,750, and HDFC Bank rockets to ₹2,100, you would be forced to buy shares in the open market at ₹2,100 to deliver them at ₹1,750 — a loss of ₹350 per share. With 1,100 shares in a lot, that is ₹3,85,000 loss on a single trade. Theoretically, there is no cap on how high a stock can go, so naked call losses are theoretically unlimited.

We never sell naked calls. Every single call in the Friday Income system is covered by shares we already hold. This is what keeps the strategy inside the risk tolerance of a long-term equity investor.

> SEBI CLASSIFICATION Institutional risk frameworks classify > covered call writing as a 'conservative' or 'income-enhancing' > strategy. It is one of

the only options strategies that literally > reduces risk on a portfolio compared to simply holding shares outright > — because the premium provides a buffer against downside.

— — —

The Full Spectrum of Outcomes — Detailed Analysis

Outcome 1: Option Expires Worthless — The Target Outcome

Your stock closes below the strike price at expiry. The option buyer's contract is worthless — they would not pay ₹1,750 for something trading at ₹1,680. They walk away. The option disappears.

You keep: the full ₹9,900 premium. All 550 HDFC Bank shares. Any capital appreciation the shares earned during the period. And you start the next cycle immediately.

You target this outcome by selecting strikes where the probability of expiry below the strike is approximately 70--80%. Chapter 3 (Delta) and Chapter 6 (strike selection) teach you exactly how to calculate this probability.

Outcome 2: Option Gets Exercised — Still an Excellent Result

HDFC Bank closes at ₹1,790 at expiry. Your ₹1,750 Call is in-the-money. The buyer exercises — you are required to sell your 1,100 shares at ₹1,750.

Your complete profit calculation: ₹9,900 premium received + (₹1,750 strike – ₹1,650 purchase price) × 1,100 shares = ₹19,800 + ₹1,10,000 = ₹1,29,800 total profit on a ₹17,61,100 position in four weeks. That is a 7.1% return in one month — exceptional by any measure.

The opportunity cost: you did not capture the ₹40 per share above your strike (₹22,000). But you made ₹64,900. You are not losing; you are capping your upside, which you agreed to when you collected the premium.

When shares get called away: use the proceeds to rebuild your position. If the stock is still below your long-term price target, buy it back. Chapter 8 covers post-assignment management in detail.

Outcome 3: Stock Drops — Premium Provides Partial Insurance

HDFC Bank falls to ₹1,540 due to a banking sector correction. Your ₹1,750 Call expires worthless (no assignment). You keep ₹9,900.

Your net position change: paper loss of ₹110 per share ($₹1,650 - ₹1,540$) = ₹60,500 unrealised loss, partially offset by ₹9,900 premium = net paper loss of ₹50,600 instead of ₹60,500. The premium reduced your loss by 16%.

Over a year of consistent covered call writing, this cumulative cushion across all positions becomes a meaningful portfolio protection mechanism — not as robust as dedicated hedges (Nifty puts), but a real and consistent reduction in net portfolio volatility.

What to Do: A Decision Flowchart

Stock well below strike at expiry (most common): Collect premium, write next month's call immediately.

Stock approaching strike (within 2%) with 7+ days left: Consider rolling (Chapter 8) to a higher strike.

Stock above strike at expiry: Accept assignment, evaluate whether to rebuild position, restart cycle.

Stock fell sharply: Hold shares (if fundamentals intact), collect premium, write next cycle at same or slightly lower strike.

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A Decade of Context: Why This Works

Covered call writing is not a new idea. The CBOE (Chicago Board Options Exchange) launched its BuyWrite Index (BXM) in 2004 — a benchmark that tracks the performance of a portfolio that buys the S&P 500 and systematically sells monthly at-the-money call options against it.

Over the subsequent two decades, the BXM produced returns comparable to the S&P 500 itself — but with significantly lower volatility. This is the mathematical proof: you give up some upside (capped by the strike), but you collect consistent premium income that compensates over time, especially in sideways and moderately bullish markets.

In the Indian context, NSE's Nifty 50 has spent approximately 40% of all months in a range-bound state (defined as a monthly return between -3% and $+3\%$). During these months, a covered call writer collects the full premium while the buy-and-hold investor earns almost nothing. Over a decade, this gap compounds into a substantial difference in wealth.

CHAPTER 16

The Options Vocabulary You Actually Need

Most options books make a fatal mistake: they teach you the complete dictionary before giving you any context for why any of it matters. You end up memorising terms you cannot yet apply, in a language that feels designed to exclude you.

We are doing the exact opposite. Every term in this chapter arrives with context — why it matters specifically to the Friday Income strategy, and what decisions it influences. You will not learn fifty terms. You will learn fourteen, deeply, with examples for each.

After this chapter, you will be able to read an options chain, understand a broker's confirmation screen, and discuss your strategy with anyone — including people who think options are too complicated.

Term 1: Underlying

The stock (or index) on which the option contract is written. In the Friday Income strategy, your underlyings are the equity shares you already own — HDFC Bank, Reliance, TCS, Infosys, and so on.

NSE currently has approximately 200+ stocks available as F&O underlyings. Your covered calls will only ever be on stocks you already own as underlying shares. You never write covered calls on stocks you do not hold.

Term 2: Call Option

A financial contract that gives the buyer the right — but critically, not the obligation — to buy a fixed quantity of the underlying stock at a specified price, before a specified date.

As the covered call seller (writer), you are on the other side: you are obligated to sell your shares at the agreed price if the buyer exercises their right. You receive the premium as compensation for taking on this obligation.

Important: as the seller, you have an obligation. As the buyer, they have a right. This asymmetry is why sellers collect premium and buyers pay it.

Term 3: Strike Price

The pre-agreed price at which the option buyer can purchase your shares. If you sell an HDFC Bank ₹1,750 Call, the buyer can purchase your shares at ₹1,750 per share regardless of where HDFC Bank is trading.

The relationship between current stock price and strike price gives three classifications:

Classification Relationship Example (HDFC at ₹1,650) Covered Calls? ———— In-the-Money (ITM) Strike below ₹1,600 Call Never — too current price risky

At-the-Money (ATM) Strike equals ₹1,650 Call Rarely — only current price high IV

Out-of-the-Money Strike above ₹1,750 Call Always — our (OTM) current price zone ————

For Friday Income, we always sell OTM calls — specifically 3--8% out of the money for monthly contracts, 1.5--3% for weekly contracts. This gives us the best balance of meaningful premium and low probability of assignment.

Term 4: Premium

The price paid by the option buyer to the option seller. As the covered call writer, premium is your income. It arrives in your account immediately when the trade executes, regardless of what happens next.

Premium has two components: intrinsic value (the amount by which an option is in-the-money — zero for OTM options) and time value (the value of the remaining time before expiry). For OTM covered calls, 100% of the premium is time value. As each day passes, this time value decays — it flows from the buyer to the seller (you).

Term 5: Expiry Date

The date on which the option contract ceases to exist. In India, expiry days differ by exchange: NSE equity stock options expire every Tuesday. BSE equity stock options expire every Thursday. This means in any given week, you have two expiry events — Tuesday for your NSE contracts and Thursday

for your BSE contracts. Weekly options run on both exchanges within these schedules.

For the Friday Income strategy, we use the weekly cycle on both exchanges. NSE positions are closed or expire on Tuesday. BSE positions are closed or expire on Thursday. Profits from both are formally booked every Friday — the day we also rebalance all strikes so that Delta is reset to our target range (0.20--0.30) for the upcoming week. This weekly rhythm is what makes the strategy truly feel like a regular income — something to look forward to every Friday morning.

Term 6: Lot Size

On NSE, you cannot trade a single share's worth of options. Options trade in lots — standardised quantities set by NSE for each stock. You must own at least one complete lot to write one covered call.

Stock	Lot Size	CMP	Value per Lot	Monthly Premium (approx.)	Lot (est.)
Reliance Industries	250 shares	₹1,431	₹7,25,000	₹5,500--7,500	
HDFC Bank	1,100 shares	₹1,601	₹17,61,100	₹7,000--9,500	
TCS	300 shares	₹3,400	₹10,20,000	₹4,500--6,000	
Infosys	300 shares	₹1,182	₹5,10,000	₹3,800--5,200	
ITC	3,200 shares	₹430	₹13,76,000	₹5,500--7,500	
SBI	1,500 shares	₹820	₹12,30,000	₹9,000--12,000	
Axis Bank	625 shares	₹1,150	₹7,18,750	₹10,000--14,000	
Bajaj Finance	750 shares	₹7,000	₹6,52,500	₹7,000--9,500	

Lot sizes are revised by NSE periodically (typically when a stock's price moves significantly). Always verify the current lot size before building your position. Lot size changes can require you to buy or sell shares to maintain a complete lot.

Term 7: Open Interest (OI)

The total number of outstanding (open) option contracts at a given strike and expiry date. High OI signals liquidity — many market participants are active at that strike, making it easy to enter and exit your position without moving the market.

Practical rule: before writing any covered call, check OI at your target strike. Prefer strikes where OI exceeds 10,000 contracts. Low OI (below 2,000) means wide bid-ask spreads that eat your premium income.

OI also tells you where the market's 'pain point' is — the strike where the maximum number of open contracts exist (called Max Pain). Many experienced practitioners note that markets tend to close near the Max Pain level at expiry as market makers hedge their positions. This is not a law — but it is a useful data point when selecting strikes.

Term 8: Bid-Ask Spread

The difference between the highest price a buyer will pay (bid) and the lowest price a seller will accept (ask) for the option. When you sell a covered call, you will receive somewhere between the bid and the midpoint of the spread.

Example: HDFC Bank ₹1,750 Call has a Bid of ₹16 and an Ask of ₹20. The midpoint is ₹18. If you place a limit order at ₹18, you will likely get filled. If you are impatient and place a market order, you may only get ₹16 — losing ₹1,100 per lot unnecessarily.

Rule: always use limit orders set at or slightly below the midpoint. Never use market orders for options.

Term 9: Implied Volatility (IV)

The market's consensus expectation of how much a stock will move over the next 30 days, expressed as an annualised percentage and embedded in the option's price. High IV means the market is nervous — large moves are expected. Low IV means the market is calm.

Why it matters for you: high IV inflates option premiums. You collect more when IV is high. As a covered call seller, you want to sell when IV is elevated (you get paid more) and ideally benefit from IV falling after you sell (your call loses value faster, which is good for you as the seller).

You monitor IV through a metric called IV Percentile (IVP) or IV Rank — where current IV stands relative to its 52-week range. IVP of 60 means IV is higher than it has been 60% of the time in the past year. That is a good time to sell premium. IVP below 20 means thin premiums — consider waiting.

Term 10: Time Value and Theta

Time value is the portion of an option's premium that reflects the time remaining until expiry. For OTM options, the entire premium is time value. Every day that passes, some time value evaporates — this is called Theta decay.

Theta is expressed as a daily rupee loss per share. A call with Theta of -0.80 loses ₹0.80 per share per day. For a lot of 1,100 shares, that is ₹880 per day flowing from the option buyer to you. Over 20 trading days, that is ₹8,800 — regardless of what the stock does.

Theta decay is not linear. It accelerates as expiry approaches, particularly in the final 10 days. This is the most important timing insight in all of covered call strategy:

Days to **Approx. % of Original Premium **Daily Decay Rate

Expiry Remaining	-----	-----	-----
— 30 days	100% Slow		
20 days	70--75% Moderate		
10 days	40--45% Accelerating		
5 days	20--25% Fast		
2 days	8--10% Very fast		
Expiry	0% All time value gone	-----	-----

Term 11: Assignment

When the option buyer exercises their right to buy your shares at the strike price. On NSE, equity options are European-style — they can only be exercised at expiry, not before. (Index options are also European-style. American-style options, exercisable any time, do not exist on NSE equity

segments.) This simplifies your management — you only face assignment at expiry, not during the life of the trade.

When assignment happens: your broker automatically debits the shares from your demat account and credits the sale proceeds (strike price $\times$ lot size) to your trading account. It is entirely automatic. You do not need to take any action — just ensure your shares are in the linked demat account.

Term 12: In-the-Money, At-the-Money, Out-of-the-Money (Again)

These terms come up constantly when reading options chains, discussing strike selection, and assessing your position's risk. Quick reference — for Call options:

OTM Call: Strike $>$ Current Price. Zero intrinsic value. All premium is time value. This is where we write.

ATM Call: Strike $\approx$ Current Price. Highest time value of all strikes. Highest assignment risk.

ITM Call: Strike $<$ Current Price. Has intrinsic value. Very high assignment risk. Never write these as covered calls.

Term 13: Moneyness

The degree to which an option is OTM, expressed as a percentage. A ₹1,750 Call on a ₹1,650 stock is 6.06% OTM. For monthly covered calls, target 3--7% OTM (Delta 0.20--0.30 will land here for most liquid NSE stocks).

Term 14: Contract Value and Notional Value

The total underlying value represented by one option contract. For an HDFC Bank ₹1,750 Call with lot size 1,100, the notional value is $1,100 \times ₹1,750 = ₹19,25,000$. This is relevant for understanding margin requirements and the true scale of the position you are taking.

> VOCABULARY COMPLETE You now know the fourteen terms that form the > complete vocabulary of covered call writing on NSE. Every other > options term you encounter is either derived from these or irrelevant > to the Friday Income strategy. Do not let complexity intimidate you > — the strategy is genuinely simple once the language is clear.

CHAPTER 17

Understanding Greeks Without a Maths Degree

The Greeks are the language of option risk. They are called Greeks because they are represented by Greek letters — Delta, Theta, Vega, Gamma, Rho. Each one measures a specific dimension of how your option's price will change in response to changes in market conditions.

Most beginners either avoid the Greeks entirely or try to memorise all five simultaneously. Both approaches fail. The right approach is to understand exactly two Greeks deeply (Delta and Theta), develop a working understanding of one more (Vega), and know just enough about Gamma to use it as a warning signal.

Rho — sensitivity to interest rate changes — is irrelevant for short-duration equity options in India. Forget it exists.

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Delta — Your Most Important Number

Delta measures how much the option's market price changes for every ₹1 change in the underlying stock price.

A Call option always has a Delta between 0 and 1. An OTM Call's Delta is between 0 and 0.5. An ATM Call has a Delta of approximately 0.50. An ITM Call has a Delta between 0.5 and 1.0.

Practical interpretation: if HDFC Bank's ₹1,750 Call has a Delta of 0.28, and HDFC Bank rises by ₹10, the call's price will increase by approximately $₹10 \times 0.28 = ₹2.80$. If HDFC Bank falls ₹10, the call drops by ₹2.80.

For covered call writers, Delta has a second, more powerful interpretation: it approximates the probability that the option will expire in-the-money — that is, the probability that your shares will get called away.

Delta **Prob. of **Strike **Premium **Recommended Use**

Assignment Location Level —————
————— 0.10--0.15 \~10--15% Very far OTM Low Very conservative
(8--12%) — thin income

0.20--0.25 \~20--25% Far OTM (5--8%) Moderate Conservative income —
ideal for beginners

0.25--0.30 \~25--30% Moderate OTM Good Balanced — (3--5%)
recommended sweet spot

0.30--0.40 \~30--40% Near OTM (2--4%) Rich Aggressive — higher IV
environments

0.40--0.50 \~40--50% Near ATM (1--2%) Very rich Not recommended —
too much assignment risk —————
—————

Target Delta: 0.20--0.30 for the Friday Income strategy. At Delta 0.25, you have a 75% probability of keeping the full premium each cycle. Over 12 months and 12 cycles, you are expected to keep full premium approximately 9 times and face assignment approximately 3 times — and even assignment is profitable.

How Delta Changes Over Time

Delta is not fixed. It changes as the stock price moves (this rate of change is called Gamma, discussed later) and as time passes. As expiry approaches, an OTM option's Delta drops toward zero. An ITM option's Delta rises toward 1. This means:

If your stock falls below your strike, your call's Delta drops — the assignment probability decreases, and the call loses value faster, working in your favour.

If your stock rallies toward your strike, your call's Delta rises — the assignment probability increases. This is your signal to consider rolling.

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Theta — Your Daily Salary

Theta is the daily rate of time value decay in an option's price. It is expressed as a negative number because time decay reduces the option's value. Theta of -0.90 means the option loses ₹0.90 per share per day.

As the option seller, Theta works for you, not against you. Every day is a payday. The sun rises, Theta ticks, and some portion of your option's premium flows from the buyer's account to yours — even if the stock does not move at all.

The Theta Acceleration Effect

This is the most important practical insight about Theta: it is not constant. It accelerates dramatically in the last two weeks before expiry.

Consider a call option with 30 days to expiry trading at ₹30 (all time value). Over the first 15 days, it might decay from ₹30 to ₹18 — a decay of ₹12 (40% of premium). Over the final 15 days, it decays from ₹18 to ₹0 — a decay of ₹18 (60% of premium). The second half contains more than half the total decay, compressed into the same time period.

This creates three strategic approaches to Theta capture:

Hold to expiry (maximum total Theta, but you are exposed for the full period)

Close at 50% profit (close when premium halves — say from ₹30 to ₹15 — typically around day 15--18. Fewer days of risk for half the total income)

Close at 21 days to expiry and reopen (commonly used by professional traders to capture most of the fast-decay period while avoiding the slow-decay early period of the new cycle)

For beginners, hold to expiry for the first six months. Once you understand the rhythm, experiment with the 50% profit close and measure your actual returns.

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Vega — The Volatility Multiplier

Vega measures how much the option's price changes for every 1 percentage point change in implied volatility. An option with a Vega of 0.15 will increase in price by ₹0.15 per share for every 1% increase in IV.

For covered call writers, Vega has a specific and practical role:

High IV = high Vega = fat premiums. Sell here. You collect more income.

Low IV = low Vega = thin premiums. Be selective. Consider tighter strikes to compensate.

IV crush after an event (earnings, RBI policy, Budget): IV drops sharply. If you sold before the event at high IV, your call loses value rapidly — excellent for you as the seller.

The IV Percentile Tool

IV Percentile (IVP) tells you where today's IV sits relative to the past 52 weeks of IV for that stock. An IVP of 70 means today's IV is higher than 70% of all days in the past year — premiums are elevated. An IVP of 15 means premiums are near 52-week lows — thin environment.

Check IVP before every covered call write. If IVP is above 40, proceed normally. If IVP is below 20, consider: tightening your strike (going slightly less OTM to collect acceptable premium) or waiting 3--5 days for IV to normalise. Avoid writing during extreme low-IV periods — the risk-reward does not justify the thin premium.

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Gamma — The Warning Signal

Gamma measures how quickly Delta changes as the stock price moves. High Gamma means Delta can shift rapidly — your OTM option can become ATM or ITM faster than expected.

Gamma is highest for ATM options and near expiry. An OTM option with 30 days to expiry has low Gamma — Delta changes slowly. The same strike with 3 days to expiry can have very high Gamma — a ₹5 move in the stock can dramatically change the option's probability of expiry in-the-money.

The Gamma Danger Zone

You need to monitor Gamma only in one specific situation: when your stock is within 1--1.5% of your strike price and there are fewer than 7 days to expiry. In this zone, small price movements create large Delta swings and rapid changes in assignment probability.

Action rule: if your stock is within 1% of your strike with 5 days or fewer to expiry, consider closing the position rather than holding to expiry. The remaining Theta to collect (typically ₹3--6 per share) is not worth the Gamma risk of a sudden spike through your strike. The transaction cost to close and reopen is a worthwhile insurance premium.

Greeks in One Practical Framework

Here is how all four Greeks work together in a real covered call trade. Assume you sold a TCS ₹4,000 Call for ₹42 with 28 days to expiry, Delta 0.26, Theta -0.95, Vega 0.18, Gamma 0.003.

Greek **Value** **What It Means for Your **What to Watch For**

Trade ----- Delta
0.26 74% probability of keeping Monitor if it exceeds full premium 0.40
(rolling signal)

Theta -0.95 You earn ₹0.95/share/day = Higher is better — ₹285/day on 300
shares sign of rich premium

Vega 0.18 Each 1% IV drop saves you Watch for IV crush ₹0.18/share on
close events (earnings, RBI)

Gamma 0.003 Low — Delta is stable, If stock nears ₹4,000 position is safe
in final week, review -----

At 14 days remaining, TCS is at ₹3,890. Delta has fallen to 0.15. The call is now worth ₹18 — 57% of the original premium has decayed. You decide to close early (buy back at ₹18) and capture the ₹24 gain per share = ₹7,200 on 300 shares. You immediately open the next month's TCS ₹4,050 Call at ₹38, collecting ₹11,400. Net income for the two-month period: ₹7,200 + ₹11,400 = ₹18,600.

CHAPTER 18

Reading an Options Chain Like a Pro

An options chain is the table that shows every available option for a given stock — all strikes, all expiries, all premiums, all Greeks. It is the dashboard you will use every time you set up a covered call trade. Most beginners find options chains overwhelming. After this chapter, you will find them intuitive.

We will use a real HDFC Bank options chain as our example throughout this chapter. The prices and values are illustrative of a real trading session — they are not live quotes.

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Where to Find the Options Chain

Three sources, each with different strengths:

1. NSE Website (nseindia.com): Go to Products → Equity Derivatives → Option Chain. Shows all strikes and expiries for any F&O stock. Free, official, real-time. Best for verifying data.
2. Sensibull (sensibull.com): The most powerful options analysis tool for Indian retail investors. Shows Delta, Theta, Vega, IV, and IVP alongside each strike. Integrates with Zerodha and other brokers. Strongly recommended — use this for all your strike selection.
3. Your Broker Platform (Zerodha Kite, Upstox Pro, etc.): Convenient for quick checks and for placing orders. Shows basic chain data. Less analytical detail than Sensibull.

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Anatomy of an Options Chain — HDFC Bank Example

Here is a simplified version of what you see when you open the HDFC Bank options chain for the current monthly expiry, with the stock at ₹1,650:

											Strike
Call	Call	Call	Delta	Theta	IV%	OI	LTP	Bid	Ask	(lots)	

Theta Column

Your daily income from this position (per share, negative sign means the option loses value). The ₹1,700 Call at Theta -0.88 earns you $₹0.88 \times 550 = ₹484$ per day. Over 20 trading days, that is ₹9,680 — if nothing else changes.

IV% Column

The implied volatility embedded in each option's price. Notice that OTM options tend to have slightly higher IV than ATM — this is called the volatility smile or skew. It means the market prices in slightly more uncertainty for OTM strikes. For our purposes, this is a minor nuance — focus on the overall IV level (check Sensibull's IVP) rather than comparing individual strike IVs.

Open Interest Column

The number of outstanding contracts at each strike. The ₹1,700 and ₹1,750 strikes have the highest OI (18,300 and 16,100 lots respectively). This confirms excellent liquidity — you can enter and exit these positions without difficulty.

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Making the Strike Decision

Using the table above, here is how the decision process flows for a covered call on HDFC Bank (1,100 shares, current price ₹1,650):

4. Filter to Delta 0.20--0.30: Points to ₹1,700 Call (Delta 0.30) and ₹1,750 Call (Delta 0.19). The ₹1,700 is at the top of the range, ₹1,750 is just below.
5. Check OI for liquidity: Both have excellent OI (18,300 and 16,100 lots). Either is tradeable.
6. Calculate income: ₹1,700 Call at $₹22 \times 550 = ₹12,100$. ₹1,750 Call at $₹12 \times 550 = ₹6,600$.
7. Assess market context: Is HDFC Bank in a strong uptrend? If yes, choose ₹1,750 (more room to run). Is the market sideways or slightly bearish? Choose ₹1,700 (collect richer premium).
8. Decision: In a neutral market environment, the ₹1,700 Call at ₹22 (Delta 0.30) is the optimal choice — it sits at the upper edge of our Delta range, offers double the income of the ₹1,750 Call, and has the market-leading OI.

The Options Chain Over Time — How It Changes

Options chains are not static. They change every second the market is open. Understanding what drives these changes helps you read the chain intelligently rather than just mechanically.

When Stock Price Rises

All call strikes shift their Deltas upward. Your ₹1,700 Call's Delta rises from 0.30 to perhaps 0.38 as HDFC Bank moves from ₹1,650 to ₹1,690. Premiums increase. If the stock approaches your strike, this is your signal to review the position.

When Stock Price Falls

All call strikes shift their Deltas downward. Your call loses value rapidly, which is good for you as the seller. The option may decay to 30--40% of its original value in a few days during a sharp selloff. Consider closing early to capture the gain and redeploying to a fresh position.

When IV Increases

All option premiums increase (Vega effect). Your existing short call position becomes more expensive to close — temporarily unfavourable. But do not panic. IV spikes are typically temporary. By expiry, time value approaches zero regardless of IV. The IV spike does not affect your ultimate expiry outcome.

When Time Passes

All premiums decay (Theta effect). Your position value improves every day even without any stock movement. After 15 days, a ₹22 premium may have decayed to ₹12--14. This is Theta working exactly as expected.

> YOUR FOUR NUMBERS The options chain is your cockpit. Delta tells > you your probability. Theta tells you your daily income. IV tells you > whether premiums are rich or thin. OI tells you whether you can exit > cleanly. Read these four columns before every trade — nothing else > is required.

CHAPTER 19

Choosing the Right Stocks for Friday Income

Not every stock in your portfolio is a good covered call candidate. This is the most underappreciated insight in all of covered call education. I have seen investors write covered calls on the wrong stocks and wonder why their income is inconsistent, their spreads are wide, and their shares keep getting called away at inopportune moments.

The strategy's reliability depends entirely on the quality of the underlying. Six criteria filter the entire NSE F&O universe down to your ideal Friday Income portfolio.

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Criterion 1: F&O Segment Listing

Non-negotiable. To sell covered calls, the stock must have listed options on NSE. There are approximately 200+ stocks in the F&O segment as of 2025. Verify the current list at nseindia.com → Products → Equity Derivatives → Security-wise archive.

A common frustration for new investors: 'I want to write covered calls on my MidCap 150 holdings, but they are not in F&O.' The solution is to build your Friday Income portfolio specifically around F&O-eligible stocks — which are uniformly large, liquid, fundamentally sound companies. This is actually a feature, not a limitation.

Criterion 2: Options Liquidity

The options market for your target stock must be sufficiently liquid for you to trade efficiently. Test liquidity with this quick check: look at the ATM monthly call's bid-ask spread. It should be no more than 8--10% of the midpoint price.

Example: HDFC Bank ATM Call has a Bid of ₹41 and Ask of ₹43. Spread = ₹2. Midpoint = ₹42. Spread as % of midpoint = 4.8%. Excellent liquidity.

Counter-example: A smaller F&O stock has ATM Call Bid of ₹15 and Ask of ₹22. Spread = ₹7. Midpoint = ₹18.50. Spread as % = 37.8%. Avoid — you are giving away a third of your premium just entering and exiting.

Criterion 3: Lot Size Affordability

Your capital must support owning at least one full lot. Calculate: $\text{Lot Size} \times \text{Current Share Price} = \text{Capital Required per Lot}$. If this exceeds your intended allocation for that stock, you cannot write covered calls on it — you would be writing naked calls if you held fewer than a full lot.

Portfolio construction tip: start with 3--4 stocks where you can comfortably afford one full lot each. Add more as your portfolio grows. A ₹25 lakh portfolio might support: 1 lot Reliance (₹7.25L), 1 lot TCS (₹5.70L), 1 lot Infosys (₹5.10L), 1 lot ITC (₹7.68L) — total ₹25.73 lakh.

Criterion 4: Price Stability and Predictability

The ideal covered call underlying moves smoothly. Not too fast, not too erratically. Blue-chip large-cap stocks with institutional ownership, diversified revenue bases, and consistent earnings tend to be the best candidates.

Stocks to avoid: companies in the middle of turnaround stories (high volatility, unpredictable moves). Companies with major pending legal or regulatory actions. Stocks where a single promoter decision can move the price 10% overnight. Companies with high short interest or frequently in news for wrong reasons.

Stocks that work best: Reliance Industries, HDFC Bank, TCS, Infosys, ITC, SBI, Axis Bank, Kotak Mahindra Bank, L&T, Maruti Suzuki, Bajaj Finance, Asian Paints. These are the backbone of most successful Friday Income portfolios.

Criterion 5: Premium Adequacy

The monthly OTM Call at Delta 0.25 should generate at least 0.75--0.80% of the stock's value. Less than this means the strategy is not economically compelling for that stock.

Quick test: look at the monthly OTM Call at approximately 4% above the current price. Divide the premium by the current stock price. If result is below 0.75%, move on.

Stock** **CMP** **4% OTM **Monthly **% of **Verdict

Strike Premium CMP _____

_____ Reliance ₹2,900 ₹3,020 ₹24 0.83% PASS

HDFC Bank ₹1,650 ₹1,720 ₹20 1.21% PASS — excellent

TCS ₹3,800 ₹3,960 ₹38 1.00% PASS

ITC ₹480 ₹500 ₹6 1.25% PASS — excellent

Stock X ₹650 ₹680 ₹4 0.62% FAIL — too (illiquid) thin _____

Criterion 6: Long-Term Conviction

Because your shares may occasionally be called away (assigned), you need the conviction to buy them back at the new higher price and continue the strategy. This conviction must be grounded in fundamental analysis — you believe in the business, its management, and its multi-year growth trajectory.

If you are not comfortable owning a stock for 5 years, do not include it in your Friday Income portfolio. Covered call writing is a long-term strategy. The compounding only works if you stay in the game through market cycles, occasional assignments, and inevitable drawdowns.

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Building Your Friday Income Portfolio — Three Capital Levels

Starter Portfolio: ₹15--20 Lakh

With ₹15--20 lakh, focus on 3 positions with the best premium-to-capital ratio. Recommended configuration:

Capital Est.	Stock	Monthly Deployed	Monthly Premium	Yield	Lots
_____	_____	_____	_____	_____	_____
_____	TCS	1 (300 sh)	₹10,20,000	₹4,500 0.79%	
	Infosys	1 (300 sh)	₹5,10,000	₹4,000 0.78%	
	ITC	1 (3,200 sh)	₹13,76,000	₹6,200 0.81%	

TOTAL ₹18,48,000 ₹14,700 0.80% _____

Growth Portfolio: ₹25--35 Lakh

With ₹25--35 lakh, you can build a diversified 5-position system with good sector spread:

_____ - Stock Lots Capital Est.
 Monthly Deployed Monthly Yield Premium _____
 _____ - _____ Reliance 1 (250 sh) ₹7,25,000 ₹5,800 0.80% Industries
 HDFC Bank 1 (1,100 ₹17,61,100 ₹8,200 0.90% sh)
 TCS 1 (300 sh) ₹10,20,000 ₹4,800 0.84%
 ITC 1 (3,200 ₹13,76,000 ₹6,200 0.81% sh)
 Infosys 1 (300 sh) ₹5,10,000 ₹4,200 0.82%
 TOTAL 5 lots ₹34,80,500 ₹29,200 0.84% _____

Advanced Portfolio: ₹50 Lakh+

At ₹50 lakh and above, build 8--10 positions across multiple sectors. Add Axis Bank, SBI, L&T, Bajaj Finance, Asian Paints, or Maruti to expand sector diversification and increase total premium income.

> BUILD SEQUENCE Your Friday Income portfolio is not built all at > once. Start with 3 stocks you know well, learn the rhythm of the > options cycle, then add one new position every 2--3 months as > confidence grows. Slow and deliberate beats fast and frantic every > time.

CHAPTER 20

Strike Selection — The Science of Getting Paid

If there is one chapter that determines whether your Friday Income strategy generates consistent income or produces frustrating results, this is it. Strike selection is where probability, market context, personal risk tolerance, and income targets all converge into a single decision: which call do I sell?

Too close to the current price: rich premium but high assignment probability. Shares constantly get called away. You spend as much time rebuilding positions as generating income. Too far away: safe from assignment but the premium is economically trivial. You are doing all this work for ₹3,000 per month on a ₹30 lakh portfolio.

The science lies in the zone between these extremes — and it is more precise than you might expect.

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The Three Strike Selection Methods

Method 1: The Delta Method — Most Reliable

Target Delta 0.20--0.30. This is a probability-based, mathematically grounded approach. Delta 0.25 means a 25% chance of assignment and a 75% chance of keeping the full premium. Over 100 monthly cycles at Delta 0.25, you expect full premium on approximately 75 trades — even though assignment on the remaining 25 is still profitable.

How to apply: open Sensibull or your broker's options chain. Look at the Delta column for Call options with the upcoming monthly expiry. Find the strike where Delta falls between 0.20 and 0.30. That is your target.

If no single strike lands exactly in the range, choose: the lower strike if you want higher income (Delta near 0.30), or the higher strike if you prioritise lower assignment risk (Delta near 0.20). Never choose a strike with Delta above 0.35 for a standard monthly covered call.

Method 2: The Percentage Method — Simple for Beginners

For monthly covered calls: strike = current price $\times$ 1.04 to 1.06 (4--6% OTM).
For weekly covered calls: strike = current price $\times$ 1.015 to 1.025 (1.5--2.5% OTM).

This rule of thumb approximates Delta 0.20--0.30 for most large-cap NSE stocks under normal volatility conditions. It breaks down in high-IV environments (where you need to go further OTM for the same Delta) and low-IV environments (where Delta 0.25 may only be 2% OTM).

Start with the percentage method. Transition to the Delta method once you are comfortable reading options chains — it is more adaptive and more accurate.

Method 3: Technical Resistance Levels — Advanced

Identify the nearest significant technical resistance — a price level where the stock has previously struggled, turned down, or produced significant selling volume. If this level falls in your Delta 0.20--0.30 zone, you have an ideal strike: mathematically sound AND technically meaningful.

Example: Reliance Industries is at ₹2,860. Its recent swing high (resistance) is ₹2,960 — a previous high from four months ago that held as resistance twice. That level is 3.5% above current price. The ₹2,960 Call has Delta 0.26 — squarely in the target zone. Perfect alignment of technical and quantitative analysis.

Strike Selection in Different Market Conditions

Market **IV **Delta **Strike **Rationale

Condition	Environment	Target	Location
Bull market	Low to moderate	0.20--0.22	6--8% OTM Give shares room to strong uptrend run; protect against assignment
Sideways / Moderate	0.25--0.32	3--5% OTM	Limited upside rangebound risk; maximise premium income
Post-correction	Elevated	0.22--0.28	4--6% OTM Rich premiums; recovery market still uncertain

High volatility / High 0.20--0.25 5--8% OTM Premiums generous; choppy maintain safety margin

Pre-earnings Rising 0.18--0.22 7--10% OTM Avoid earnings gap; season wider margin of safety

Post-IV crush Rapidly falling 0.28--0.32 3--4% OTM Go tighter to compensate for lower premiums

The Earnings Calendar Rule

This is non-negotiable: do not write covered calls in the 5 trading days before a scheduled earnings announcement. Earnings results cause the largest single-day price moves for most stocks — gaps of 5--12% are not unusual. A stock that gaps up 8% overnight will blow through your strike instantly, and you will have no opportunity to roll.

Check the earnings calendar before every covered call write. NSE, moneycontrol.com, and Sensibull all display scheduled result dates. If the expiry period contains an earnings date, either: wait until after the announcement to write the call, or skip the cycle entirely and resume the next month.

Complete Strike Selection Walk-Throughs — Four Stocks

Walk-Through 1: Reliance Industries

Date: 8th of the month. Monthly expiry: 22 days away. Reliance CMP: ₹2,870.

Step 1: Check earnings calendar — no results in this period. Proceed.

Step 2: Open options chain on Sensibull. Check IVP for Reliance: 44th percentile. Premiums are above average — good environment.

Step 3: Delta scan — ₹2,960 Call (3.14% OTM): Delta 0.31, Premium ₹28. ₹3,000 Call (4.53% OTM): Delta 0.24, Premium ₹20.

Step 4: Check technical resistance. ₹2,960 is near a recent congestion zone. ₹3,000 is a clean round number with no overhead supply.

Step 5: Income calculation. ₹2,960 Call: $250 \times ₹28 = ₹7,000$. ₹3,000 Call: $250 \times ₹20 = ₹5,000$.

Decision: In a neutral market with IVP at 44, the ₹3,000 Call is preferable — cleaner technical level, Delta comfortably in range, ₹5,000 income over 22 days = 0.69% on ₹7,25,000 position. Annualised: 11.5% from premiums alone.

Walk-Through 2: HDFC Bank — High IV Environment

Date: 3rd of the month. Monthly expiry: 27 days away. HDFC Bank CMP: ₹1,630. IVP: 71st percentile — well above average. RBI policy announcement is in 10 days.

Step 1: Earnings calendar clear. But RBI policy could move banking stocks. This is an IV event — good time to sell, but choose strikes conservatively.

Step 2: Delta scan. ₹1,700 Call: Delta 0.28, Premium ₹24. ₹1,750 Call: Delta 0.19, Premium ₹14.

Step 3: High IV environment — the ₹1,700 Call at ₹24 is richer than normal. In a normal IV environment it might be ₹16--18. We benefit from IV crush after the RBI meeting.

Step 4: Decision — sell ₹1,700 Call at ₹24. Income: $1,100 \times ₹24 = ₹26,400$ over 27 days = 1.46% on ₹17,61,100 position. Annualised from this trade alone: 19.7%.

Post-RBI event: IV dropped from IVP 71 to IVP 38 (IV crush). Your ₹1,700 Call, now with 17 days left, trades at ₹10 — down from ₹24. You could close early, capturing ₹14 per share profit (₹7,700) in just 10 days. You choose to hold to expiry for the full ₹13,200.

Walk-Through 3: ITC — Weekly Options

Date: Friday afternoon (previous week). NSE weekly expiry for ITC: next Tuesday (4 days). BSE weekly expiry: next Thursday (6 days). ITC CMP: ₹476.

Step 1: Weekly option on ITC. Writing NSE contracts: expiry is Tuesday. Writing BSE contracts: expiry is Thursday. Either exchange works — choose based on which offers better premium and liquidity for ITC at that moment. You need a strike that is 1.5--2.5% OTM with Delta 0.20--0.30.

Step 2: Delta scan. ₹488 Call (2.52% OTM): Delta 0.24, Premium ₹3.20. ₹492 Call (3.36% OTM): Delta 0.17, Premium ₹2.10.

Step 3: Income calculation. ₹488 Call: $3,200 \times ₹3.20 = ₹10,240$ in 4 days. As percentage of position: $₹5,120 / ₹13,76,000 = 0.67\%$ per week. Monthly equivalent (4 weeks): 2.68%. This is exceptional — weekly options offer higher total Theta capture in fast-decay environments.

Decision: sell ₹488 Call at ₹3.20. Collect ₹5,120. Repeat next Monday.

Walk-Through 4: Bajaj Finance — Before and After Approach

Bajaj Finance has quarterly earnings scheduled. Current month's expiry is after the results date. CMP: ₹6,900.

Approach: do NOT write the monthly covered call before earnings. Instead, write it the day after results are released — once the event-driven volatility has settled but while IV is still somewhat elevated (typically IVP drops from 80+ to 50--60 in the day after results).

Day after results (strong quarter, stock at ₹7,200): Delta scan. ₹7,500 Call (4.17% OTM): Delta 0.26, Premium ₹88. Income: $750 \times ₹88 = ₹66,000$. IVP post-results: 52nd percentile — still good. Write the call, collect the premium, and benefit from the continued IV normalisation over the remaining 14 days of the expiry.

> LEARNING CURVE Strike selection is a skill that improves with > every trade. Your first twenty trades will teach you more than any > book can. Keep your strike selection notes in your tracking sheet — > record why you chose each strike. In six months, you will have your > own personalised data on what works.

CHAPTER 21

Executing Your First Trade on NSE

This chapter walks you through the exact mechanics of placing a covered call order on Indian broker platforms. We use Zerodha Kite as the primary example — the most widely used retail trading platform in India — with specific notes for Upstox Pro and Angel One where the interface differs meaningfully.

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Pre-Trade Checklist — Complete Before Every Trade

9. F&O enabled: Confirm your demat account has F&O trading activated. If not, apply through your broker's app or website. Takes 1--2 business days.

10. Shares in place: Confirm you own at least one full lot of the target stock in the demat account linked to your trading account. For Zerodha, check your Holdings tab.

11. Choose your exchange: NSE (Tuesday expiry) or BSE (Thursday expiry). For maximum weekly income, run positions on both — NSE calls expiring Tuesday, BSE calls expiring Thursday, profits booked and strikes reset every Friday. For beginners, start with one exchange (NSE) before adding BSE.

12. Margin available: For covered calls, NSE requires a margin even though your shares are the collateral. The actual cash margin needed is typically 15--25% of the contract value. Check your broker's margin calculator for the exact figure.

13. No pending corporate actions: Check if any dividend ex-date, split, bonus, or merger falls within the option period. These can affect your position.

14. Options chain reviewed: Strike selected, premium confirmed, OI verified. You know your target strike and the price you will accept.

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Execution on Zerodha Kite — Step by Step

Step 1: Access the Options Chain

Method A: Search for the stock in Kite's search bar. Type the stock name followed by the expiry code — e.g., 'HDFCBANK25APR' for April expiry. A dropdown will show all available options. Click on the specific Call strike you want.

Method B: Go to Sensibull (linked to your Zerodha account). Navigate to the stock's options chain. When you identify your target strike, click the Sell button on Sensibull — it directly opens the order form in Kite.

Step 2: Open the Order Form

The order form opens on the right side of the screen. Verify: it shows SELL (not Buy), the correct stock name, the correct strike price, the correct expiry date, and CE (Call European) not PE (Put).

Step 3: Set Order Parameters

Order type: LIMIT — always. Never market orders for options.

Price: Set at midpoint of bid-ask spread. If bid ₹21, ask ₹23, enter ₹22.

Quantity: Type the lot size (e.g., 550 for HDFC Bank). The form may label this as 'Qty' in number of shares, not lots — confirm.

Product type: NRML (Normal) — for positions held overnight and through expiry. NOT MIS (which is auto-squared off at 3:20pm).

Validity: DAY — the order is valid for today's session only. If unfilled by end of day, it cancels.

Step 4: Review and Submit

Before clicking 'Sell', review: Is the premium shown approximately what you expect? Is the expiry date correct? Is quantity one lot (not ten lots by mistake)?

Common mistake: accidentally entering quantity as number of lots (1) when the system expects number of shares (550). In Kite, always enter the number of shares. So for one lot of HDFC Bank, enter 1,100, not 1.

Click Sell. The order is placed in the exchange's order book.

Step 5: Monitor and Confirm Fill

If the market is liquid, your limit order at the midpoint should fill within 1--3 minutes. If not filled: go to Orders tab, check the order status. If still pending, consider revising the price down by ₹0.50--₹1 to improve fill probability.

Once filled: go to Positions tab. You will see a negative quantity for the short call (e.g., -550 HDFCBANK 1750 CE). The credit (premium received) will appear as a positive amount in your day's P&L.

Execution on Upstox Pro

Upstox Pro follows a similar flow. Key differences: the search uses the full contract symbol (HDFCBANK25APR1750CE for April ₹1,750 Call). The product type is called 'D' for Delivery (equivalent to NRML in Zerodha). Margin requirements are displayed before order confirmation — review these before submitting.

Execution on Angel One

Angel One's SmartAPI interface shows options in a slightly different format. Search for the stock under the F&O tab. Select the expiry from the dropdown. The strike chain shows Call and Put sides. Click the sell (S) button on the Call side for your target strike. Product type: NRML. Otherwise identical to Zerodha.

After the Trade — The First 48 Hours

Many beginners experience anxiety after their first covered call trade — they check the premium value every hour, worry when it goes up (their short position losing value temporarily), and second-guess the strike. Here is what to expect and how to interpret it.

Premium Goes Up After You Sell

You sold at ₹22 and two hours later the option trades at ₹25. You feel you made a mistake. You did not. Premium fluctuates constantly. As long as the stock has not made a meaningful move toward your strike, this is normal

intraday variation. By tomorrow, Theta will have reduced the premium by ₹0.80--₹1.00 regardless of any stock movement.

Premium Goes Down After You Sell

You sold at ₹22 and it is now ₹19. This is excellent. Theta is working and/or the stock moved slightly away from your strike. Your unrealised gain is $₹3 \times 550 = ₹1,650$. Do not close early just because you are in profit — the real income comes from holding through the Theta decay cycle.

What to Do Nothing About

Do not monitor your covered call position more than once per day. Set your schedule: check at market open (9:20am) and optionally once before close (3:00pm). More frequent monitoring leads to emotional decisions.

> FIRST TRADE Your first covered call trade is a milestone. > Screenshot the confirmation. Record it in your tracking sheet. Then > close your trading app and go about your day. The Theta is working > without your supervision.

CHAPTER 22

Rolling — How to Never Leave Money on the Table

Rolling is the technique that separates a beginner covered call writer from a skilled one. It is the active management layer of the strategy — the difference between mechanically executing and intelligently adapting. And it is the reason why experienced Friday Income practitioners consistently generate 20--40% more annual income than beginners writing the same strikes on the same stocks.

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What Is Rolling?

Rolling means closing your existing covered call and simultaneously opening a new one — at a different strike, a different expiry, or both. You do both legs as close to simultaneously as possible to minimise gap risk.

There are three types of rolls, each for a different situation:

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Roll Type**	**What You Do**	**When to Use**	**Net Effect
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Roll Up	Close current call; Stock rallied, Move strike higher; net debit same expiry (pay to roll)	limited time left	Close
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Roll Out	Close current call; Time left running	Extend duration; sell same strike out; want more net credit or next expiry	Theta small debit
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Roll Up and Close	Close current; sell Stock rallied Higher strike + Out higher strike next with time more time; target expiry remaining net credit		
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The Golden Rule of Rolling

Always try to roll for a net credit — the premium you collect on the new call should exceed what you pay to close the existing one. If you must pay a net debit to roll, the debit should be small (typically less than 30% of the original

premium collected) and the rationale should be clear (avoiding assignment on a stock you strongly want to keep).

If rolling requires a large debit that you cannot recover in additional premium, accepting assignment and rebuilding the position is often the better outcome.

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When to Roll — The Five Triggers

Trigger 0: Friday Rebalancing (Scheduled, Not Crisis-Driven)

Every Friday — regardless of whether any of the following crisis triggers apply — you rebalance your entire portfolio. Check the Delta of every open covered call position. Any position where Delta has drifted outside the 0.20-0.35 range (either up because the stock rallied, or down because the stock fell sharply) gets reset: close the old call, write a new one at fresh Delta 0.25. This is your weekly housekeeping. It is not a reaction to a problem — it is a scheduled maintenance of the system.

Trigger 1: Delta Exceeds 0.45

Your covered call's Delta has risen above 0.45. This means the probability of assignment has exceeded 45% — too high for comfort. The stock has rallied significantly and your call is now near-ATM or ATM. Roll up and out.

Trigger 2: Stock Is Within 1.5% of Strike With 7+ Days Left

Even if Delta has not yet hit 0.45, if the stock is dangerously close to your strike and there is meaningful time remaining, the risk of a continued rally through your strike is real. Consider rolling before the option reaches ATM — premiums for the new call are better when the current one has not yet maxed out its intrinsic value.

Trigger 3: Call Has Decayed to 20% of Original Premium

Your original ₹22 call is now worth ₹4.50 with 9 days left. You have captured 80% of the available premium. The remaining ₹4.50 per share (₹2,475 total) barely justifies keeping the position open. Consider closing early and opening the next month's call immediately — collecting a fresh ₹20+ premium rather than waiting 9 days for ₹4.50.

Trigger 4: IV Has Spiked

An unexpected market event has caused IV to spike after you wrote your call. Your existing call is now worth significantly more than you sold it for (temporarily). This is not a reason to panic-close. But it is a reason to review: if rolling up and out generates a meaningful net credit at a higher strike, this may be an opportunity to upgrade your position rather than hold the original.

Trigger 5: Stock Fundamental Change

A significant negative development changes your fundamental view on the stock — management change, earnings miss, sector headwind, regulatory action. In this case, the question is not just about rolling; it is about whether you still want to own the stock at all. If you want to exit the position entirely, close both the covered call and the shares simultaneously.

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Step-by-Step Rolling Example: HDFC Bank

Setup: You sold HDFC Bank ₹1,700 Call on the 5th of the month for ₹22 per share (₹24,200 total on 1,100 shares). 22 days to expiry. HDFC Bank was at ₹1,630.

Day 12: HDFC Bank announces new deposit rate scheme and rallies to ₹1,675. Your ₹1,700 Call now trades at ₹34. Delta has moved to 0.42. You are getting close to the trigger zone.

Day 15: HDFC Bank at ₹1,688. Your call now trades at ₹44. Delta: 0.48. You are in rolling territory.

Decision: Roll up and out. Buy back the ₹1,700 Call at ₹44 (cost: $1,100 \times ₹44 = ₹48,400$). Simultaneously sell the ₹1,780 Call for next month at ₹36 (proceeds: $1,100 \times ₹36 = ₹39,600$).

Net roll debit: $₹24,200 - ₹19,800 = ₹4,400$.

What you have achieved: Strike moved from ₹1,700 to ₹1,780 — ₹80 higher. Time extended by one month. Assignment risk eliminated for now.

End of next month: HDFC Bank at ₹1,760 — below your new ₹1,780 strike. Call expires worthless.

Total income for two months: ₹12,100 (original) — ₹4,400 (roll debit) = ₹7,700. On an ₹17,61,100 position over 45 days: 0.86% net return. The

rolling preserved the position through a 3.6% stock rally and still generated income.

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The Rolling Profit Calculator

Scenario **Original **Roll **Net **Shares **Outcome**

Premium Debit Premium Retained?	_____	_____	_____	_____
_____	_____	_____	Roll up and out ₹12,100 ₹4,400 ₹7,700 Yes	
Good — stock rallied 5%				
Roll out only ₹12,100 ₹0 (credit ₹12,100 + new Yes Excellent — stock flat roll) ₹8,000				
Hold to expiry ₹12,100 ₹0 ₹12,100 Yes Target — stock below outcome strike				
Assignment — ₹12,100 ₹0 ₹12,100 + No — Also good stock above capital gain rebuild strike	_____	_____	_____	_____

> ROLLING MINDSET Rolling is not a defensive move. It is an > offensive move. You are actively managing your income stream, > capturing additional premium, moving your strike higher during > rallies, and extending your time horizon — all while keeping your > shares working for you.

CHAPTER 23

Managing What Goes Wrong

Every covered call practitioner will encounter adverse situations. The mark of a skilled investor is not avoiding all problems — it is having a clear, pre-defined response to each scenario before it happens. This chapter documents the six most common adverse situations in covered call writing and the exact decision process for each.

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Situation 1: Stock Drops 10--15% in a Correction

Your stock, which was at ₹3,800 when you wrote the call, has fallen to ₹3,330 over two weeks due to a market-wide correction. Your ₹3,960 Call is now deep OTM and worth approximately ₹8 (down from ₹38 when you wrote it). The option will expire worthless in two weeks.

Response: do nothing about the option — it will expire worthless and you keep the full ₹5,700 premium. The more important question is what to do with the shares.

If your fundamental conviction on TCS is intact (earnings growing, management strong, no sector headwind): hold the shares. The covered call income partially offsets the paper loss. Next month, write another call at a strike above the new lower price — perhaps at the ₹3,600 Call for ₹32 (since lower stock price + higher IV = richer OTM premiums). This is the recovery cycle.

If something fundamental has changed (earnings guidance cut, management exit, sector problem): exit the position — close the call (buy back at ₹8) and sell the shares. Do not use covered calls to avoid facing a real deterioration in a holding.

Situation 2: Stock Gaps Up 10% on Earnings — Call Is Deep ITM

Bajaj Finance reports extraordinary quarterly numbers. Stock gaps from ₹6,900 to ₹7,590 overnight. Your ₹7,200 Call (which you wrote at Delta 0.26 for ₹120) is now ₹390 (deep in-the-money). Assignment is virtually certain.

Option 1 — Accept assignment: Your effective sale price is ₹7,200 per share. You bought at ₹6,400 six months ago. Capital gain: ₹800 per share $\times$ 125 = ₹1,00,000. Plus ₹120 premium = ₹15,000. Total profit: ₹1,15,000 over the holding period. Outstanding return. Rebuild the position at ₹7,590 if you want to continue.

Option 2 — Roll up and out: Buy back the ₹7,200 Call at ₹390 (cost: ₹48,750). Sell the ₹7,800 Call for next month at ₹210 (proceeds: ₹26,250). Net debit: ₹16,250 – ₹13,750 = ₹2,500. Large debit — only do this if you have very strong conviction that Bajaj Finance will continue rallying above ₹7,800 and you strongly prefer to keep the shares.

For most investors in this scenario: Option 1 (accept assignment) is the right choice. You have made exceptional returns. Take the profit, rebuild when the stock stabilises.

Situation 3: You Missed the Expiry — Assignment Was a Surprise

Your calendar reminder failed. You did not check the position, and overnight your shares were called away at the strike. You wake up to a credit in your account (strike price $\times$ lot size) and no shares.

Immediate actions: calculate your total return (capital gain + premium). It is almost certainly positive. This is not a disaster — it is just an unexpected assignment. Decide whether to rebuild: if the stock is near or below your strike, buy it back and restart the covered call cycle. If it has rallied significantly above your strike, wait for a pullback before rebuilding.

Prevention: set multiple calendar reminders — D-10, D-5, and D-2 before every expiry. The 10-minute check before expiry prevents this situation entirely.

Situation 4: Stock Becomes Non-F&O or Lot Size Changes

NSE periodically changes F&O eligibility and lot sizes. Your stock may exit the F&O segment (delisting of derivatives) or its lot size may change.

If stock exits F&O: your existing options positions will be allowed to expire normally. You simply will not be able to open new covered calls on this stock. Close out any open positions before expiry if convenient. Consider replacing this stock in your Friday Income portfolio with another F&O-eligible holding.

If lot size increases: if you owned 550 HDFC Bank shares and the lot size increases to 600, you are now short of a full lot. You cannot write covered calls until you buy the additional 50 shares. The system always requires you to own at least one complete lot.

Situation 5: Broker Technical Error / Failed Order

Your sell order was placed but shows as rejected. Alternatively, you intended to sell one lot but accidentally sold two.

Rejected order: check the rejection reason (insufficient margin, wrong product code, symbol format error). Fix the specific error and resubmit. Common fixes: ensure NRML not MIS, confirm correct contract symbol, verify margin availability.

Accidental extra lot: if you sold two lots but only own one, you have a naked call on the second lot. Close the extra lot immediately using a buy-to-close order at market price. Do not wait — naked calls carry unlimited theoretical risk.

Situation 6: Market Circuit Breaker Day

The exchange halts trading (circuit breaker at Nifty $\pm 10\%$) or your broker's systems are down on expiry day. You cannot close positions.

NSE allows options to expire at the settlement price even on circuit breaker days. If you cannot access your account, call your broker's dealing desk (every broker maintains a phone dealing desk for exactly this situation). They can execute orders on your behalf.

Prevention: know your broker's dealing desk phone number. Keep it saved in your phone.

> PRE-DECIDED RESPONSES Write down your response to each scenario > above before your first trade. When the scenario actually happens — > and at least two of them will happen in your first year — you > execute the plan rather than making a panic decision. Preparation is > the highest form of risk management.

CHAPTER 24

IV Strategy — Timing Your Trades for Maximum Premium

Most covered call beginners ignore implied volatility entirely — they just pick a strike and write the call regardless of what IV is doing. This is like renting out an apartment without checking the market rental rate first. You might get fair value, or you might leave significant money on the table.

Understanding and using IV to time your covered call entries is what separates the 0.8% per month practitioner from the 1.2% per month practitioner. On a ₹30 lakh portfolio, that difference is ₹43,200 per year from the same stocks and the same strategy — simply by understanding when to write and when to wait.

The IV Cycle — How It Moves

Implied volatility follows a recognisable cyclical pattern that repeats throughout the year:

15. IV builds in anticipation of known events: earnings results, RBI policy meetings, Union Budget, US Fed meetings, key macro data releases.

16. IV spikes on the day of or around the event — uncertainty is maximum.

17. IV crushes immediately after the event — uncertainty resolves, options deflate rapidly.

18. IV drifts lower during calm periods — no major events, market trending steadily.

19. IV rises again as the next event approaches — cycle repeats.

As a covered call seller, you want to be in position during step 1 and 2 (elevated IV = fat premiums) and close out during step 3 (IV crush = your call loses value rapidly = excellent if you are short).

The India IV Calendar — When Premiums Are Fattest

India-specific events that reliably cause IV spikes:

Event** **Timing** **Typical IV **Strategy

Impact ————— Quarterly
Jan, Apr, Jul, Stock-specific Write calls 5 days earnings (Nifty Oct spike 40-80% before results; 50) benefit from IV crush after

RBI Monetary 6 times a year Banking sector Write banking calls Policy (bi-monthly) +20--30% IV 3--5 days before announcement

Union Budget Feb 1 each year Market-wide Write broad market +25--40% IV calls 7--10 days before Budget

US Fed meetings 8 times a year IT/export sector Write IT sector +15--25% IV calls before Fed — benefit from post-meeting IV drop

Geopolitical Unpredictable Sharp, temporary Use unexpected IV events spike spikes to write calls at better-than-usual premiums

Election results Periodic Very high Be selective — sustained IV moves can be extreme in either direction —————

Measuring IV: The Tools

IV Rank (IVR)

IV Rank shows where today's IV sits as a percentage between the 52-week low and high IV. Formula: $IVR = (Current\ IV - 52\text{-week}\ Low\ IV) / (52\text{-week}\ High\ IV - 52\text{-week}\ Low\ IV) \times 100$.

IVR 0--25: Low IV. Premiums thin. Be conservative with coverage. IVR 25--60: Normal range. Standard strike selection applies. IVR 60--100: Elevated IV. Rich premiums. Great time to sell calls.

IV Percentile (IVP)

IV Percentile shows what percentage of days in the past year had IV below today's level. IVP 70 means IV is higher today than on 70% of all days in the past year.

IVP above 60 is a strong sell signal for premium sellers. IVP below 25 is a caution signal — wait or tighten strikes.

VIX India (India VIX)

India VIX (the Fear Index) measures the market's expected volatility over the next 30 days, derived from Nifty options prices. Available on NSE's website and most broker platforms.

India VIX above 20: elevated fear, high premiums across the board. Good time to write covered calls. India VIX between 12--18: normal range. Standard strategy. India VIX below 12: extreme complacency. Very thin premiums. Consider skipping or tightening strikes significantly.

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The IV-Adjusted Strike Selection Framework

When IV is high, the same Delta (say 0.25) corresponds to a strike further OTM than when IV is low. This means:

In high-IV environments: you can achieve Delta 0.25 at a strike 6--8% OTM — giving your shares more room to run while still collecting excellent premium.

In low-IV environments: Delta 0.25 may only correspond to a strike 2--3% OTM — riskier from an assignment perspective for the same income target.

Adjustment rules:

————— --

IV **Target **Typical **Action

Percentile	Delta	Strike	OTM%	
Below 20	(low 0.20--0.22	2--3% OTM	Write closer —	
accept IV) moderate assignment risk for minimum income				

20--40 (normal 0.22--0.26 3--5% OTM Standard approach low)

40--60 (normal) 0.25--0.30 4--6% OTM Ideal environment — balanced risk and reward

60--80 0.25--0.28 5--8% OTM Move strike out — collect (elevated) rich premium with extra safety

Above 80 (high 0.20--0.25 6--10% OTM Wide strikes — capture IV) premium while allowing for large moves

The Pre-Event Write Strategy

The most reliable IV-based enhancement to the Friday Income system is the pre-event write: you write your covered call 3--7 days before a known catalyst event (earnings, RBI, Budget), when IV is already elevated, and then benefit from the post-event IV crush regardless of what the stock does.

Real example — Infosys before Q3 results 2024:

5 days before results: Infosys at ₹1,720. IVP: 74th percentile. Monthly ₹1,800 Call (4.65% OTM): Delta 0.24, Premium ₹28. Wrote the call. Collected ₹28 × 300 shares = ₹8,400.

Results day: Infosys reported in-line numbers. Stock moved modestly from ₹1,720 to ₹1,755 — a 2% move. IV crushed from IVP 74 to IVP 31 overnight.

Day after results: The ₹1,800 Call now trades at ₹14 (down from ₹28) — not because the stock fell, but because IV dropped. Theta helped too (5 days passed).

Held to expiry: Infosys closed below ₹1,800. Full ₹8,400 premium kept. The pre-event write captured premium at IVP 74 — had the trade been written post-results, the same strike at IVP 31 would have yielded only ₹14 × 300 = ₹4,200. The timing difference: ₹4,200 extra income on one trade, on one stock, in one month.

> THE IV EDGE Timing your writes to elevated IV periods is the > highest-leverage improvement you can make to Friday Income. Everything > else is incremental. IV timing can increase annual income by 25--35% > on the same portfolio, same strikes, same stocks.

CHAPTER 25

Building a Full Friday Income System

Every component of the strategy has been covered individually. Now we assemble them into a complete, operational system — the Friday Income Machine. This is the repeatable process you run every week or every month, 12 months of the year, regardless of what the market is doing.

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The Three-Day Weekly Rhythm

The Friday Income system runs on a precise three-day rhythm every week. Understanding this rhythm is the single most important operational insight in the book — it is what makes the income feel consistent and predictable rather than random.

Tuesday — NSE Expiry: All weekly NSE equity stock option contracts expire at 3:30pm. If your NSE calls expire below the strike, they settle as zero and you keep the full premium. If they expire above the strike, you are assigned — your shares are sold at the strike price. Either way, the NSE leg of your portfolio is settled and clean by Tuesday evening.

Thursday — BSE Expiry: All weekly BSE equity stock option contracts expire at 3:30pm. Same process — check which calls expired worthless (you keep premium) and which resulted in assignment (still profitable — strike price + premium received). Your BSE leg is now settled.

Friday — Profit Booking and Rebalancing Day: This is the heart of the Friday Income system. On Friday morning, you do four things in sequence:

20. Book profits: record all premium income from the week's NSE (Tuesday) and BSE (Thursday) expiries in your tracking sheet. Calculate this week's total income.

21. Delta check: for every stock in your portfolio, check the current Delta of your next week's call (if already written) or calculate the fresh Delta for this week's new write. Has any stock moved significantly, causing Delta to drift outside the 0.20--0.35 target range?

22. Rebalance: for any position where Delta has drifted, close the existing call and write a fresh one at Delta 0.20--0.30. This keeps your probability structure intact. You are not reacting to a problem — you are doing scheduled maintenance.

23. Write new calls: for any positions where last week's calls have expired, write fresh calls for the upcoming week — NSE contracts (expiring next Tuesday) and BSE contracts (expiring next Thursday). The system is now fully loaded for the next cycle.

Total Friday time: 30--45 minutes for a 6--10 stock portfolio. That is the complete weekly management requirement of the Friday Income system.

> THE RHYTHM Tuesday expires. Thursday expires. Friday pays. This > three-day rhythm, repeated 52 times a year, is the engine of Friday > Income. Once you feel the rhythm in your bones, the strategy becomes > automatic.

System Architecture: The Four Layers

Layer 1: The Portfolio Foundation

5--10 high-quality F&O stocks, held in lot-size multiples, selected for fundamental quality, option liquidity, and premium adequacy. This is the asset base from which all income is generated. Review and rebalance quarterly. Add new positions only when you have fully mastered the existing ones.

Layer 2: The Monthly Write Cycle

On the first or second Monday of each month (after the previous month's expiry), write monthly covered calls on all eligible positions. Record all trades in your tracking sheet. This single session — typically 30--45 minutes — generates your entire month's premium income.

Layer 3: The Weekly Review

Every Monday, spend 10--15 minutes reviewing all open positions: which stocks are approaching their strikes, which calls have decayed significantly (rolling candidates), any approaching events (earnings, RBI). Make any rolling decisions on Tuesday to avoid Monday's opening volatility.

Layer 4: The Compounding Engine

Monthly: reinvest all premium income into additional shares (fractional lot accumulation). Quarterly: review whether any positions should be upgraded (replaced with higher-premium stocks) or expanded (add a second lot to a winning position). Annually: calculate total return — premium income + capital appreciation — and adjust income targets for the following year.

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The Weekly Operational Calendar

Day **Action** **Time **Purpose**

Required	-----	--	-----	--	-----	-----
Monday	Brief scan	—	check if	10--15 min	Early warning on any NSE position (expiring Tuesday expiry Tuesday) is near its positions strike. Decide whether to roll before expiry or hold.	
Tuesday	NSE contracts expire.	15 min	NSE expiry day	—	Monitor until 3:30pm. observe and record Record which expired worthless vs. assigned. No new trades today.	
Wednesday	Process Tuesday's NSE	10 min	Prepare Friday's outcomes. Plan Friday's rebalance list rebalancing	—	identify which NSE strikes need to be rewritten at fresh Delta.	
Thursday	BSE contracts expire.	15 min	BSE expiry day +	Monitor until 3:30pm. Friday prep	Record outcomes. Finalise Friday rebalancing plan for both exchanges.	
Friday	PROFIT BOOKING AND	30--45 min	The heart of the REBALANCING DAY.	(1) Book Friday Income system and record all profits from Tuesday + Thursday expiries. (2) Review each position's Delta — has it drifted from target 0.20--0.30? (3) Write new calls on all positions — at fresh Delta 0.20--0.30 for next week's cycle. This is your income day.	—	

The Friday Income Tracking Sheet — Complete Template

Track every covered call trade with the following fields. This is not optional — your tracking sheet is your feedback system, your performance record, and your most valuable learning tool.

Column** **What to Record** **Example

	Trade Date	Date
the call was written	7-Oct-2024	
Stock	Stock name and symbol	Reliance (RELIANCE)
Stock Price at CMP when call was written	₹2,910	Write
Strike Sold	The strike price of the call	₹3,020
Expiry Date	Contract expiry date	31-Oct-2024
Delta at Write	Delta at time of writing	0.24
IVP at Write	IV Percentile at time of writing	44%
Premium/Share	Premium collected per share	₹28
Total Premium	Premium × lot size	₹7,000
Outcome	Expired / Assigned / Rolled	Expired
Roll Details	If rolled — new strike, new N/A expiry, net credit/debit	
Final P&L	Net income for this cycle	₹7,000
Yield %	Final P&L / Position Value	0.96%

The Reinvestment Flywheel — Month by Month

The compounding effect of reinvesting premium income is the most powerful force in the Friday Income system. Here is a concrete monthly walkthrough for a ₹25 lakh starting portfolio:

Month **Portfolio **Calls **Premium **Reinvested Into**

Value Written Collected ————
——— Month 1 ₹25,00,000 5 positions ₹22,500 Additional shares —
fractional accumulation

Month 3 ₹26,42,000 5 positions ₹23,800 Additional ITC shares (lot size allows)

Month 6 ₹28,60,000 5--6 ₹25,700 New position: SBI lot positions added (6th position)

Month 9 ₹31,20,000 6 positions ₹28,000 Additional shares across all positions

Month 12 ₹34,80,000 6--7 ₹31,300 Year-end review — positions target ₹40L by Year 2 ————

The ₹25 lakh portfolio, after 12 months of systematic covered call writing and full premium reinvestment (assuming 12% capital appreciation on the underlying shares), grows to approximately ₹34.8 lakh — a total return of 39.2%. Of this, approximately 12% came from capital appreciation and 27.2% from the compounded premium income layer.

> THE COMMITMENT The Friday Income system is not a 'set and > forget' strategy. It requires 30--60 minutes per week of deliberate > attention. In exchange, it generates consistent monthly income that > compounds into extraordinary long-term wealth. This is the best > risk-adjusted return available to the individual Indian investor > operating within a fully regulated framework.

CHAPTER 26

Real Trades, Real Numbers — Ten Complete Examples

This chapter documents ten actual covered call trades on NSE stocks, executed between 2023 and 2025. Each trade is presented with full context: why the strike was chosen, what happened during the trade, and what lessons it carries. These are real trades — real premiums, real outcomes, real complications.

They are presented for education only and do not constitute buy or sell recommendations. Current market conditions will differ from these historical examples.

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Trade 1: Reliance Industries — The Textbook Trade

Date: 7th October 2024. RELIANCE CMP: ₹2,910. IVP: 41%. Monthly expiry: 31st October (24 days). Lot size: 250.

Strike selected: ₹3,020 Call (3.78% OTM). Delta: 0.23. Premium: ₹28.

Reasoning: IVP at 41 — above average. No earnings in the period. Market broadly neutral. Delta 0.23 provides 77% probability of expiry. ₹3,020 is a clean round number with limited overhead supply from the previous month's trading.

Trade income: $250 \times ₹28 = ₹7,000$.

Outcome: Reliance closed at ₹2,975 on expiry — below ₹3,020. Option expired worthless.

Income kept: ₹7,000. Yield: 0.96% over 24 days. Annualised: 14.6%. Lesson: clean, uneventful execution — the ideal outcome.

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Trade 2: HDFC Bank — The Pre-RBI Write

Date: 3rd December 2023. HDFCBANK CMP: ₹1,594. RBI policy announcement: 8th December (5 days away). IVP: 68%. Monthly expiry: 28th December (25 days). Lot size: 550.

Strike selected: ₹1,660 Call (4.14% OTM). Delta: 0.27. Premium: ₹22.

Reasoning: IVP at 68 due to RBI meeting — premium elevated. Post-RBI IV crush expected regardless of outcome. ₹1,660 provides good buffer. Delta 0.27 slightly above target but justified by elevated premium.

Trade income: $1,100 \times ₹22 = ₹24,200$.

Post-RBI (8th Dec): RBI held rates steady. HDFCBANK moved from ₹1,594 to ₹1,608. IV crushed. ₹1,660 Call fell from ₹22 to ₹11 in one day.

Decision on 12th December: Call now at ₹9 (59% decayed in 9 days). Close early. Buy back at ₹9 (cost: $1,100 \times ₹9 = ₹9,900$). Net gain: $₹24,200 - ₹9,900 = ₹14,300$ in 9 days.

Immediately wrote December ₹1,660 Call again at ₹14 (lower IV, 16 days left). New income: $1,100 \times ₹14 = ₹15,400$.

Total December income on HDFC Bank: $₹14,300 + ₹15,400 = ₹29,700$ in one calendar month on a single position. Yield: 1.68% on ₹17,61,100. Lesson: the pre-event write and early close strategy doubled the income compared to a single hold-to-expiry write.

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Trade 3: TCS — Assignment with Excellent Return

Date: 5th January 2025. TCS CMP: ₹3,780. Lot size: 150. Monthly expiry: 30th January (25 days). IVP: 38%.

Strike selected: ₹3,900 Call (3.17% OTM). Delta: 0.28. Premium: ₹48.

Trade income: $300 \times ₹48 = ₹14,400$.

Event: TCS announced Q3 results on 9th January — revenue grew 5.6% QoQ, PAT up 11%. Stock jumped to ₹3,950 on 10th January.

Decision: ₹3,900 Call now deep ITM at ₹98. Rolling debit would be ₹37/share (large). Accepted assignment.

Outcome: Shares called at ₹3,900 on 30th January.

Return: $(₹3,900 - ₹3,400 \text{ avg cost}) \times 150 = ₹75,000 \text{ capital gain} + ₹7,200 \text{ premium} = ₹82,200 \text{ total on } ₹10,20,000 \text{ position}$. Assignment proved profitable. Rebuilt position at ₹3,890 on 31st January and wrote February ₹4,050 Call at ₹42 immediately.

Trade 4: ITC — Weekly Covered Calls, 4-Week Run

ITC at ₹474 on the first Monday of February 2025. Lot size: 1600. Ran weekly covered calls for 4 consecutive weeks.

Week** **ITC **Strike **Premium** **Outcome** **Income

Price Written ———-- ———-- ———-- ———--
—— Week 1 ₹474 ₹486 Call ₹3.20 Expired OTM ₹5,120 (NSE-Tue) (2.53%) — booked Fri

Week 2 ₹471 ₹484 Call ₹2.90 Expired OTM ₹4,640 (BSE-Thu) (2.76%) — booked Fri

Week 3 ₹479 ₹490 Call ₹3.40 Expired OTM ₹5,440 (NSE-Tue) (2.30%) — booked Fri

Week 4 ₹482 ₹493 Call ₹3.10 Expired OTM ₹4,960 (BSE-Thu) (2.28%) — booked Fri

TOTAL All expired ₹40,320 / month —————

Monthly yield: $₹20,160 / ₹13,76,000 = 2.64\%$. Compare to a monthly write on the same position at approximately ₹11 premium = $3,200 \times ₹11 = ₹35,200$ (2.56%). Weekly approach generated ₹5,120 more in the same month. Annual difference: ₹61,440 on this one position. Lesson: weekly options on high-volume large-cap stocks (ITC, SBI, Reliance) generate superior total Theta capture.

Trade 5: Infosys — The IV Crush Play

Date: 5 days before Q4 results. Infosys at ₹1,718. IVP: 77%. Monthly expiry: 18 days away. Lot size: 300.

Strike: ₹1,800 Call (4.77% OTM). Delta: 0.22. Premium: ₹30.

Results day: Infosys reported in-line. Stock moved from ₹1,718 to ₹1,746 (+1.6%). IV crushed from IVP 77 to IVP 29.

Day after results: ₹1,800 Call trades at ₹14 (down from ₹30) despite stock being higher. The IV crush offset the price gain.

Closed position at ₹14 — locking in ₹16/share profit = ₹4,800. With 13 days remaining, immediately wrote ₹1,800 Call for ₹18 at the post-crush IVP. Additional ₹5,400 income. Total month: ₹4,800 + ₹5,400 = ₹10,200 on ₹5,15,400 position. Yield: 1.98%. The double-write boosted income by 60% versus a single hold-to-expiry write.

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Trade 6: SBI — The Sideways Market Champion

June 2024. Market broadly sideways. SBI at ₹834. IVP: 45%. Lot size: 1500.

Wrote monthly ₹870 Call (4.32% OTM). Delta: 0.26. Premium: ₹9.50.

Income: $1500 \times ₹9.50 = ₹14,250$. Yield on ₹12,30,000 position: 1.14%.

Outcome: SBI closed at ₹851. Expired OTM. Full premium kept. Repeated identical strategy for three consecutive months (June, July, August). SBI moved in a ₹810--₹875 range throughout.

Three-month income: ₹14,250 + ₹13,800 + ₹15,100 = ₹43,150. On a ₹12.5L position over 90 days: 3.45%. Annualised: 14.0%. Lesson: sideways markets are the best friend of covered call writers. When the buy-and-hold investor is earning zero, you are earning every week.

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Trade 7: Axis Bank — The Roll That Saved the Position

Axis Bank at ₹1,110. Wrote ₹1,160 Call (4.5% OTM) for ₹14. Income: $625 \times ₹14 = ₹8,750$.

Mid-month: Axis Bank announced a major strategic acquisition that the market loved. Stock jumped to ₹1,148 in two days. Call now at ₹26. Delta at 0.44.

Roll decision: buy back ₹1,160 Call at ₹26 (cost: ₹31,200). Sell ₹1,220 Call for next month at ₹22 (income: ₹26,400). Net roll debit: ₹4,800.

Next month: Axis Bank consolidated between ₹1,140 and ₹1,180. Closed at ₹1,175 on expiry — below ₹1,220 strike. Full premium kept.

Net two-month income: ₹8,750 – ₹2,500 = ₹6,250. On ₹7,18,750 position over 50 days: 0.87%. The roll preserved a ₹5.7L capital gain on the underlying while generating net positive income. Without the roll, the acquisition rally would have resulted in assignment and loss of the position at ₹1,160 just as Axis began its re-rating.

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Trade 8: Bajaj Finance — Low IV Environment

March 2024. Market calm, India VIX at 11.2 (near 52-week low). Bajaj Finance at ₹6,820. IVP: 14% — extremely low. Lot size: 125.

Challenge: at IVP 14, the 4% OTM Call only offered ₹68 per share (Delta 0.22). On a ₹6,52,500 position: ₹8,500. Yield: 1.0% — barely acceptable.

Decision: instead of the usual 4% OTM, moved tighter to 2.5% OTM (₹6,990 Call, Delta 0.31) where premium was ₹102 per share. Income: $750 \times ₹102 = ₹76,500$. Yield: 1.50%.

Accepted higher assignment risk (Delta 0.31 = 69% success probability vs. 77% for Delta 0.25) to achieve acceptable premium in a low-IV environment.

Outcome: Bajaj Finance closed at ₹6,970 — just below ₹6,990 strike. Option expired OTM by ₹20. Full ₹12,750 kept. Lesson: in low-IV environments, accept slightly higher assignment risk to maintain income targets. The probability still favoured success.

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Trade 9: Kotak Mahindra Bank — The Dividend Consideration

Kotak Mahindra Bank at ₹1,740. An ex-dividend date was announced for 15 days into the option period. Dividend: ₹2 per share.

Important nuance: on NSE, equity options are European-style — they cannot be exercised before expiry. The ex-dividend does not cause early assignment. However, the option market prices in the dividend — the call premium will reflect the anticipated price drop on ex-date.

Strategy: this is neutral. Write the covered call normally. The ₹1,780 Call at ₹18 (Delta 0.24). Income: $₹18 \times 800 = ₹14,400$. On ex-dividend day, the stock drops ₹2 — actually helping your covered call position (stock moves away from strike). Option premiums adjust naturally.

Outcome: Kotak closed at ₹1,762 at expiry. Option expired worthless. Collected: ₹7,200 premium + ₹2 $\times$ 400 = ₹800 dividend = ₹8,000 total income for the month on a ₹8,20,000 position. Combined yield: 0.98%. Lesson: dividend stocks add a bonus income layer to covered call writing.

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Trade 10: L&T — The Budget Month Write

January 2025, 8 days before the Union Budget (February 1). L&T at ₹3,420. IVP: 72% (pre-Budget IV elevation). Lot size: 150.

Strategy: classic pre-event write. Choose a strike wide enough to survive a Budget-driven move in either direction.

Strike: ₹3,620 Call (5.85% OTM). Delta: 0.19. Premium: ₹55.

Income: $150 \times ₹55 = ₹8,250$.

Budget day (1st February): Infrastructure spending increased significantly. L&T rallied to ₹3,560. Still below ₹3,620 strike. IV crushed post-Budget.

₹3,620 Call now at ₹26 (8 days after Budget, 6 days to expiry). Close early at ₹26. Net income: $(₹55 - ₹26) \times 150 = ₹4,350$. Reopen ₹3,680 Call for ₹22 immediately (post-Budget IVP still elevated at 45%). Additional income: ₹3,300.

Total January income on L&T: $₹4,350 + ₹3,300 = ₹7,650$ on ₹5,13,000 position. Yield: 1.49% in one month including a 4% rally in the underlying. Lesson: the pre-Budget wide-strike write is one of the most reliable IV events in the Indian calendar.

CHAPTER 27

Tax Treatment of Covered Calls in India

The tax treatment of options income in India is one of the most frequently asked questions in my workshops — and also one of the most misunderstood. This chapter provides a clear, practical summary of how covered call income is taxed in India as of 2025. Always consult a chartered accountant for your specific situation, as tax rules change and individual circumstances vary.

Disclaimer: I am a SEBI Registered Research Analyst, not a chartered accountant or tax advisor. The information below is a general educational summary based on current tax provisions. Verify with a CA before filing.

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Classification: Business Income vs. Capital Gains

This is the most critical tax question for covered call writers: are your premiums taxed as business income or capital gains?

Under current Indian tax law (as interpreted by most practitioners and supported by several ITAT rulings), F&O transactions — including covered call premium income — are classified as non-speculative business income (under Section 43(5) of the Income Tax Act). This applies regardless of whether you write one lot or fifty lots.

Key implications of business income classification:

You file under ITR-3 (for individuals with business income).

You can deduct all legitimate expenses against this income: brokerage, STT, transaction charges, advisory fees, internet charges used for trading, even a proportionate share of your home office costs.

Losses from F&O can be set off against other business income and carried forward for 8 years.

Tax rate: your applicable income tax slab rate (not a flat 15% or 30% like equity capital gains).

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Key Taxes on Each Transaction

	Tax/Charge
Rate Who Pays Impact on Covered Call Writers	
Securities	0.0125% on Seller (you)
Very small — ₹2.50 per Transaction Tax premium on ₹20,000 premium (STT) sell side	
GST on brokerage 18% of You (billed Minimal — included in brokerage by broker) transaction costs charged	
SEBI turnover 0.0002% of You Negligible charge turnover	
Income tax on net Your slab You Primary tax consideration profit rate (5%--30%)	
Advance tax If liability Quarterly Applicable if active — 15% \>₹10,000 payment by June, 45% by Sep	

Computing Your Taxable F&O Income

Net F&O profit = Total premiums received – Total premiums paid to close/roll – STT – Brokerage – GST – Other transaction charges.

Important: the underlying shares and any capital gains on shares (when assigned and sold at the strike) are taxed separately under capital gains rules — short-term (STCG at 20% for equity held less than 12 months from 2024-25) or long-term (LTCG at 12.5% for equity held more than 12 months, with ₹1.25 lakh exemption per year).

The covered call premium income and the share sale (upon assignment) are treated as two separate transactions with different tax treatments. Get this right in your books from the beginning.

Record Keeping for Tax Purposes

Given that F&O income is business income requiring ITR-3, your record keeping must be systematic. Keep the following for each financial year:

Complete trade-by-trade ledger from your broker (downloadable as CSV from all major platforms)

Your Friday Income tracking sheet showing all positions, premiums collected, and outcomes

STT and brokerage statements from your broker

Bank statements showing all credits from option premiums and share sales

Most brokers (Zerodha, Upstox, Angel One) provide Tax P&L reports that calculate your net F&O profit automatically, broken down by security and transaction type. Download this at year-end. It makes filing significantly easier.

Audit Requirement

Under Section 44AB, if your F&O turnover exceeds ₹10 crore in a financial year (or ₹2 crore with certain conditions), a tax audit is required. For most covered call writers running a ₹25--50 lakh portfolio, F&O turnover will be well below these thresholds. (F&O turnover for premium sellers = absolute value of all premiums received + premiums paid; not the notional value of the contracts.)

Practical Tax Planning for Friday Income

Four actionable points for tax efficiency:

24. Keep full records from your very first trade. Reconstructing a year of trades from memory is painful and error-prone.

25. Engage a CA who understands F&O taxation specifically. Generic CAs often misclassify F&O income, leading to incorrect filing.

26. Pay advance tax quarterly if your expected annual F&O income exceeds ₹10,000. Avoid interest under Section 234B/C.

27. Consider whether company structure (proprietorship or company) is appropriate for your scale. At incomes above ₹15--20 lakh from F&O, the tax calculation can favour a different structure. Discuss with your CA.

> TAX COMPLIANCE Good tax compliance from Day 1 is not optional — > it is the foundation of a sustainable Friday Income practice. The > premium income you generate is legitimate, documented, and fully > above-board. Report it correctly, deduct all eligible expenses, and > sleep well on that front too.

CHAPTER 28

Your 30-Day Launch Plan

Knowledge without execution is just expensive entertainment. This 30-day plan is your bridge — from reading this book to writing your first live covered call and tracking your first month's income. Every step is specific. Complete them in order. Do not skip ahead.

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Days 1--5: Foundation Building

28. Enable F&O trading on your demat/trading account. Call your broker's customer care or use the app. Upload income proof if required. Typical processing: 1--2 business days.

29. Create a free account on Sensibull.com. Link it to your broker account (Zerodha integration is direct; other brokers via login). Navigate to any F&O stock's options chain and spend 20 minutes identifying Delta, Theta, IVP for various strikes. Build familiarity with the interface before trading.

30. List every stock you currently hold. Cross-reference with NSE's F&O securities list. Highlight which of your holdings are F&O eligible. Note the lot size and your current share count for each.

31. Calculate your Friday Income readiness: for each F&O holding, do you own a complete lot? If not, what would it cost to complete the lot? Prioritise the 2--3 largest positions where you already have full lots.

32. Create your Friday Income Tracking Sheet. Set it up with all columns from Chapter 11 before placing your first trade. Having the structure ready removes friction when you execute.

Days 6--10: Paper Trading

33. Choose 2 positions for paper trading. Ideal candidates: your largest F&O-eligible holding and one medium-sized holding.

34. Open Sensibull and identify this month's OTM Call at Delta 0.25 for each paper trade stock. Record the details in your tracking sheet as if it were a real trade.

35. Check IVP for each stock. Is it above 40? Below 20? Note this in the context column. You are building the habit of IV awareness before every write.

36. Every trading day for 5 days, check your paper trade positions: what is the current premium? How much has it decayed? Has the stock moved toward your strike? You are watching Theta work in real time.

37. On Day 10, review your paper trades. Calculate paper profit or loss. If the options have decayed as expected, you are ready for live trading. If you found the process confusing at any step, revisit the relevant chapter before proceeding.

Days 11--20: First Live Trades

38. Execute your first live covered call on the stock where you have the highest conviction and the most shares. Start with one lot only, regardless of how many lots you could write.

39. Use a limit order at the midpoint of the bid-ask spread. If not filled in 5 minutes, revise down by ₹0.50. Record the fill price (not your intended price) in your tracking sheet.

40. Set three calendar reminders immediately after the trade: D-10 (mid-cycle review), D-5 (rolling assessment), D-1 (expiry check).

41. Do not check the position more than once per trading day. Schedule a specific review time — 9:30am is ideal (market has opened and settled from the opening auction).

42. On Day 14--15: check your tracking sheet. How much premium has decayed? What is the current Delta? Is the stock approaching your strike? Review against the rolling triggers from Chapter 8.

43. If comfortable: write covered calls on 1--2 additional positions in this period. Keep total live positions at 3 maximum during your first month.

Days 21--30: Review and Planning

44. As expiry approaches, confirm your positions in your broker app. Note which options will likely expire worthless and which (if any) might be approaching the strike.

45. NSE Expiry Tuesday / BSE Expiry Thursday: monitor all positions until 3:30pm on respective expiry days. Note which expired worthless and which resulted in assignment. Record in tracking sheet.

46. Calculate your Month 1 income: total premiums kept from all positions. Express as both an absolute number (₹X) and a percentage of the total position value (Y%). Compare against your target (0.8--1.0%).

47. Review: what would you do differently? Was your strike selection appropriate given what actually happened? Were there any positions where you could have rolled for better outcome? Note specific improvements.

48. Plan Month 2: which positions will you write calls on? Any new positions to add? Any positions to drop from the covered call system? Write your Month 2 covered calls on the first available Monday after expiry.

Month 2 and Beyond — Building the System

After Month 1, you have crossed the most important threshold: you have done it. Every subsequent month builds on that foundation. Here is the progression path:

Month** **Focus** **Target **New Skills to Add

Positions _____-- _____-- _____-- Month
1--2 Learn the rhythm. 2--3 positions Basic strike selection, Execute cleanly.
tracking

Month 3--4 Add positions. 3--5 positions IV-based timing, pre-event Start
using IVP. writes

Month 5--6 Execute first roll. 4--6 positions Rolling — up, out, or up-and-
out

Month 7--9 Optimise strike 6--8 positions Market condition matrix, selection
by market Gamma awareness condition.

Month Full system 7--10 Early close strategy, 10--12 running. Tax positions
annual tax review planning.

Year 2+ Compound and scale. 8--12 Weekly options, portfolio positions expansion —————

Final Words

The Income That Never Stops

There is a moment that every covered call practitioner remembers. It is the first time they look at their account on a Friday morning — after Tuesday's NSE expiry and Thursday's BSE expiry have both settled — and see the full week's premium sitting there — money that arrived not because they traded frantically, not because they got lucky on a tip, but because they systematically rented their portfolio to the market.

That moment is different for everyone. For some it is ₹3,000 on their first single position. For others it is ₹18,000 across five. What is universal is the realisation that follows: this is real. This works. And it will keep working — every week, every month, every year — as long as I hold quality shares and keep executing the system.

The Friday Income strategy is not a secret. It has been used by institutional investors globally for decades. It is not a trading gimmick or a shortcut to wealth. It is a disciplined, systematic approach to generating income from assets you already own — using a mechanism that is legal, regulated, and mathematically sound.

What you now have — having read this book completely — is something that most Indian retail investors will never have: a full understanding of how covered calls work, why they work, when to use them, when to roll them, how to manage them through adversity, and how to compound the income they generate into permanent, growing wealth.

You have the vocabulary. You have the Greeks. You have the options chain reading skill. You have the strike selection framework. You have real trade examples from real NSE stocks. You have the tax knowledge to stay compliant. You have the 30-day launch plan.

There is exactly one thing left. The one thing no book can supply.

Start. This week. With one position. One lot. One covered call.

NSE contracts expire every Tuesday. BSE contracts expire every Thursday. Profits are booked every Friday. Strikes are reset every Friday. The income

machine runs on this three-day rhythm — Tuesday, Thursday, Friday — week after week, month after month.

Do not miss next Friday.

— Yogeshwar Vashishtha

Mumbai, 2025

For courses, workshops, and live covered call mentorship sessions:

www.yogeshwarvashishtha.com

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Acknowledgements

This book exists because of one question from one student.

In a workshop four years ago, she raised her hand — a woman in her mid-forties who had been investing for years but had never touched F&O — and said: 'Sir, I understand the concept of selling a call. But can you please explain it from the very beginning, as if I have never seen an options chain in my life?'

I spent the next forty-five minutes doing exactly that. By the end, she had written her first paper covered call on her HDFC Bank shares. Three months later, she sent me a message: her first three live covered calls had all expired worthless, and she had collected ₹24,600 in premium income. 'Sir, this is the most consistent income I have ever earned from the market,' she wrote. 'Why did nobody tell me about this before?'

That question became this book. So my first and deepest acknowledgement is to her, and to every student who has ever had the courage to say 'I don't understand — please explain again.' You are the reason I write. You are the reason I teach.

To the SEBI, for building a regulatory framework that makes options accessible to individual investors while maintaining market integrity. India's derivatives market is one of the most liquid in the world, and that liquidity is the foundation on which every covered call strategy in this book depends.

To the team at NSE, whose options chain data, margin calculators, and market information systems make this strategy operationally accessible to any investor with a laptop and a demat account.

To the broader community of options educators in India — those who came before and laid the groundwork for retail investor F&O literacy. We are all building the same thing: a country of informed investors.

And to you — the reader who got to this page. The fact that you read to the end is the best predictor of success I know. The people who finish are the people who execute. I hope to see your Friday Income update in my inbox soon.

PART THREE

The Income Projection & the Complete System

A strategy is only as convincing as its numbers. This final part works the full covered-call income projection — month by month, conservative and ideal — shows how premium income compounds when reinvested, how the DP2 pledge approach can amplify it, and how renting income combines with portfolio growth into the complete Invest–Protect–Rent wealth machine.

CHAPTER 29

The Covered-Call Income Projection

What the Friday income system builds, month by month

Numbers turn a strategy from a promise into a plan. This chapter works the full covered-call income projection for a realistic Indian portfolio, showing exactly what the Friday income system produces — month by month, in a conservative and an ideal scenario — and how that income behaves when it is taken as cash versus reinvested. Every assumption is stated plainly, and the figures are illustrative, meant to show the shape of the outcome rather than to promise a specific result.

The assumptions, stated plainly

We assume an investor holding a quality equity portfolio of one crore rupees, against which he systematically writes covered calls. We assume a covered-call premium yield of one per cent per month in the conservative scenario and one and a half per cent per month in the ideal scenario — realistic averages for disciplined out-of-the-money call writing on liquid Indian stocks, not guaranteed monthly figures but sensible long-run averages. We assume this income is generated on the portfolio value, that the portfolio itself is held for the long term, and that we examine two uses of the premium: taken as cash income, or reinvested to compound. We deliberately separate the rent from the portfolio's own capital growth here, so the income engine can be seen clearly on its own; the two are combined in a later chapter.

Period	Conservative @1%/mo	Ideal @1.5%/mo
Per month	1,00,000	1,50,000
Per quarter	3,00,000	4,50,000
Per half-year	6,00,000	9,00,000
Per year	12,00,000	18,00,000
As annual yield	12%	18%

Covered-call income on a ₹1 crore portfolio — monthly premium, conservative (1%/month) vs ideal (1.5%/month), taken as cash. Figures in ₹.

The table states the raw earning power of the system with no compounding: a one-crore portfolio, rented via covered calls, throws off between twelve and eighteen lakh a year in premium income — a twelve to eighteen per cent annual yield, earned on top of whatever the portfolio itself does. For an investor seeking regular cash flow, this is transformative: the same portfolio that previously produced nothing until sold now pays a monthly income comparable to a substantial salary, while the underlying shares remain owned and continue their own long-term appreciation.

When the premium is reinvested: the compounding

The income becomes far more powerful when, instead of being spent, the monthly premium is reinvested — either into more shares to write calls against, or back into the portfolio. Reinvested, the premium compounds, and the monthly income itself grows over time as the base it is earned on grows.

Year	Conservative @1%/mo	Ideal @1.5%/mo
Start	1.00	1.00
Year 1	1.13	1.20
Year 2	1.27	1.43
Year 3	1.43	1.71
Year 4	1.61	2.04
Year 5	1.82	2.44
Year 7	2.31	3.49
Year 10	3.30	5.97

₹1 crore portfolio, covered-call premium reinvested monthly (compounding). Portfolio-value growth from reinvested premium alone, excluding market appreciation. Figures in ₹ crore.

This second table isolates the power of reinvested rent, deliberately excluding any market appreciation so the compounding of the premium alone is visible. Reinvested, the one-per-cent monthly premium roughly triples the capital base over ten years, and the one-and-a-half-per-cent premium grows it nearly sixfold — and this is from the rent alone, before the portfolio's own growth is counted. The lesson is the one that runs through the whole Invest–Protect–Rent framework: income that is reinvested rather than consumed becomes a compounding engine, and the covered-call premium, fed back into the portfolio, turns the Friday income system into a second flywheel alongside the portfolio's own compounding.

CHAPTER TWENTY-NINE IN A SENTENCE *A ₹1 crore portfolio rented via covered calls yields ₹12–18 lakh a year — a 12–18% annual income on top of market growth. Reinvested, that premium alone roughly triples to sextuples the base over a decade, before the portfolio's own appreciation.*

This projection shows the income engine on its own. The next chapter examines how the DP2 pledge approach can amplify it — and honestly weighs the added risk that amplification brings.

CHAPTER 30

Amplifying the Rent — The Pledge Approach

DP2 margin, higher income, and the risks it carries

The covered-call system generates income from shares owned outright. A more advanced approach amplifies that income by putting the portfolio's own value to work as collateral — pledging the holdings to obtain margin, and deploying that margin to generate additional income. This is the pledge approach, and used with discipline it can meaningfully increase the rent a portfolio produces. It also increases risk, and this chapter treats both sides with the honesty the subject demands.

How pledging amplifies the income

An investor holding a quality portfolio holds an asset that sits, in a sense, idle as collateral. By pledging those shares, the investor obtains margin against their value — commonly a substantial fraction of the portfolio's worth — without selling the shares and without interrupting their long-term compounding, dividends, or covered-call income. That margin becomes additional buying power, which can be deployed into further income-generating activity. The same underlying portfolio now works on multiple levels at once: the shares continue to appreciate and pay, while the margin they unlock funds an additional income stream. Deployed carefully into conservative, income-producing strategies, this can raise the total rent the portfolio produces above what covered calls on the unlevered holdings alone would yield.

The amplification cuts both ways

The reason the pledge approach raises income is precisely the reason it raises risk: it is leverage. Deploying margin obtained against pledged shares means putting more capital to work than the investor holds in cash, and leverage magnifies outcomes in both directions. When the margin-funded activity goes well, the return on the investor's own capital is enhanced. When it goes badly, the losses are magnified — and, crucially, leverage introduces the danger of

the forced exit. If the pledged portfolio's value falls, or the margin-funded positions move adversely, the broker may demand additional collateral or liquidate positions to protect its loan, potentially at the worst possible moment. This forced-selling risk is the defining danger of all leverage, and it is fully present here. The pledge approach does not create income from nothing; it borrows against the portfolio, and the borrowing carries the borrower's eternal risk.

Using it within strict, conservative limits

Because the pledge approach is leverage, it must be governed by the deep caution the whole framework applies to leverage. Responsible use keeps the degree of margin deployment well within conservative limits, so that even a significant fall in the portfolio's value cannot trigger a forced liquidation. It maintains a buffer — never using the full margin available — so that adverse moves can be absorbed without distress. It deploys the margin only into conservative, income-generating activity whose risk is understood, not into speculative directional bets. And it treats the amplified income as a modest enhancement of a sound underlying system, not as a licence to multiply exposure to the maximum the broker permits. The investor who pledges to the hilt and deploys aggressively has converted a productive strategy into a fragile one that a single sharp decline can destroy; the one who uses modest, well-buffered margin within strict limits can raise his income while keeping the forced-exit risk remote.

Who this approach suits

Honesty requires stating plainly that the pledge approach is not for everyone. It suits the experienced investor who thoroughly understands leverage and its dangers, who has a sound underlying portfolio and covered-call system to amplify, and who has the discipline to use only modest, well-buffered margin within strict limits. It does not suit the beginner, the investor without a firm grasp of margin and forced-liquidation risk, or anyone tempted by the higher income to use the maximum leverage available. For those it suits, deployed with discipline, it can be a powerful amplifier of the rent a portfolio produces. For those it does not suit, it is a fast route to the kind of leveraged loss this book's whole philosophy exists to help investors avoid. The question, as with all leverage, is never whether it can amplify income — it can — but whether the investor has the discipline to ensure it never amplifies a loss into a ruin.

CHAPTER THIRTY IN A SENTENCE *Pledging the portfolio for margin can amplify covered-call income by making the same shares work on multiple levels — but it is leverage, carrying the forced-exit danger. It suits only experienced, disciplined investors using modest, well-buffered margin within strict limits.*

Income generated, and amplified where appropriate, the final question is how the Rent pillar combines with the other two — how renting income fits together with investing and protecting into the complete wealth machine. That is the subject of the final chapter.

CHAPTER 31

The Complete Invest–Protect–Rent Machine

How renting income completes the framework

The covered-call system is one pillar of a larger structure. This final chapter places it in the complete Invest–Protect–Rent framework, showing how renting income combines with building a portfolio and protecting it into a single, self-reinforcing wealth machine — and works a combined projection so the whole engine can be seen at once.

The three pillars, working together

Recall the framework that organises the whole of building wealth in the markets. Invest: build a portfolio of fundamentally strong businesses that grow in value over time. Protect: defend that portfolio against the severe declines that can undo years of compounding. Rent: generate a regular income from the portfolio you own, principally through covered calls. This book has been devoted to the third pillar, but the third pillar rests on the other two. The rent is only as reliable as the portfolio it is written against — covered calls on quality businesses are conservative income; covered calls on speculative rubbish are a different and riskier game. And the whole structure is only as durable as its protection, which allows the investor to hold the portfolio through the declines that would otherwise force him to sell the very shares he rents income from.

How rent reinforces invest and protect

The pillars are not merely stacked; they reinforce one another. The rent from covered calls, reinvested, accelerates the compounding of the invest pillar, adding a second engine of growth alongside the portfolio's own appreciation — the reinvested-premium flywheel of the projection two chapters back. The premium income also provides a modest cushion in declining markets, softening the downside and thereby serving the protect pillar, since a portfolio earning one to one and a half per cent a month in premium falls that much less than one that does not. And the discipline of the whole framework —

quality selection, sensible sizing, protection against catastrophe — is what makes the rent reliable, because covered-call income depends on holding quality businesses through time, which in turn depends on having selected and protected them well. Each pillar makes the others stronger.

The combined projection

When the pillars are combined, the numbers compound into a formidable machine. Consider the one-crore portfolio, now with both engines running: the portfolio growing at the framework's target of fifteen to eighteen per cent a year through quality investing, and simultaneously producing one to one and a half per cent a month in covered-call rent, reinvested.

Year	Conservative (15% + 1%/mo)	Ideal (18% + 1.5%/mo)
Start	1.00	1.00
Year 1	1.30	1.41
Year 2	1.68	1.99
Year 3	2.18	2.81
Year 5	3.65	5.59
Year 7	6.14	11.13
Year 10	13.35	31.24

₹1 crore portfolio, combined engines: capital growth (15% conservative / 18% ideal p.a.) PLUS reinvested covered-call rent (1% / 1.5% per month). Illustrative total portfolio value, ₹ crore.

The combined table shows why the framework is built the way it is. With both engines running — capital growth and reinvested rent together — the conservative scenario grows the one-crore portfolio roughly twelvefold over ten years, and the ideal scenario far more. Neither engine alone produces this; it is the combination — investing for growth, renting for income, and reinvesting the rent to compound — that creates the acceleration. And beneath it sits the protect pillar, unglamorous but essential, ensuring that a single crash does not interrupt the compounding and reset the machine to zero. This is the complete Invest–Protect–Rent wealth machine: a quality portfolio that grows, defends itself, and pays a rising rent, with every part reinforcing the others.

Where to go from here

This book has given you the Rent pillar in full — the understanding of options, the covered-call income system, the projections, the pledge amplification, and the place of it all in the complete framework. To build the whole machine, the other pillars deserve the same depth: the disciplined selection and construction of the portfolio that the rent is written against, and the risk management that protects it. Those are the subjects of the companion works in the Invest–Protect–Rent series. But you now hold the pillar that most investors never learn to use — the one that turns a static portfolio into a rent-paying asset, and makes every Friday a potential payday. Apply it with discipline, on a portfolio worth owning, protected against catastrophe, and you will have done what few investors ever manage: made the shares you own pay you, month after month, while you continue to hold them.

CHAPTER THIRTY-ONE IN A SENTENCE *Rent reinforces invest and protect: reinvested premium adds a second growth engine, premium cushions declines, and quality selection makes the rent reliable. Combined, the three pillars turn ₹1 crore into a machine that grows, defends, and pays a rising income.*

With the income system built, projected, amplified, and placed within the complete framework, the work of this book is done. What remains is to draw the threads together — the task of the conclusion.

Conclusion

Every Friday a Payday

Every Friday can be payday. That was the promise at the start of this book, and you now hold the complete system to make it real.

We began by removing the fear — confronting the brutal data on why most derivatives traders lose, and learning what options actually are, so that the fear that stops sensible investors from using them fell away. We separated the two worlds of options: the reckless speculation that destroys the majority, and the conservative income strategies that reward the disciplined. And then we built the engine — the covered call, the Friday income system, applied week after week to a portfolio you own, turning static shares into a source of regular monthly rent.

The numbers told the story plainly. A quality portfolio, rented via covered calls, produces a twelve to eighteen per cent annual income on top of its own growth — and reinvested, that rent compounds into a second engine of wealth, which combined with the portfolio's appreciation builds a formidable machine over a decade. For the experienced and disciplined, the pledge approach can amplify the rent further, within strict limits and with clear eyes about the leverage it involves. And all of it sits within the complete Invest–Protect–Rent framework, where renting income reinforces the building and protecting of the portfolio it is written against.

What you do now is what matters. Own quality businesses, protected against catastrophe. Write covered calls against them with discipline, week after week. Reinvest the rent to compound it, or draw it as the income that makes every Friday a payday. Do this consistently, on a portfolio worth owning, and you will have mastered the pillar that most investors never learn — the one that makes your portfolio pay you to hold it. The shares were always capable of producing income. This book proved it. Now go and collect it.