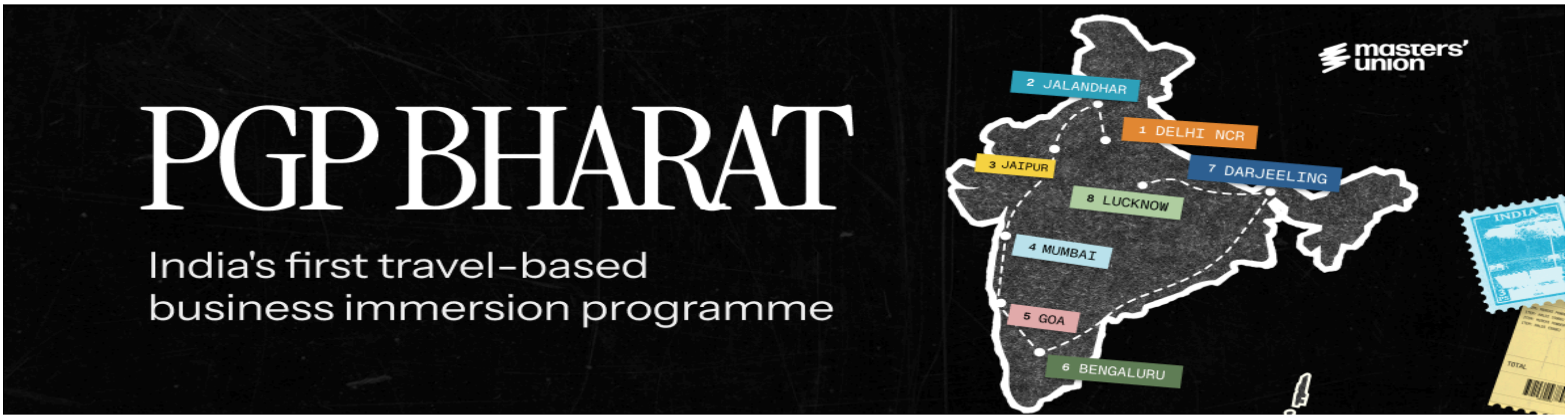


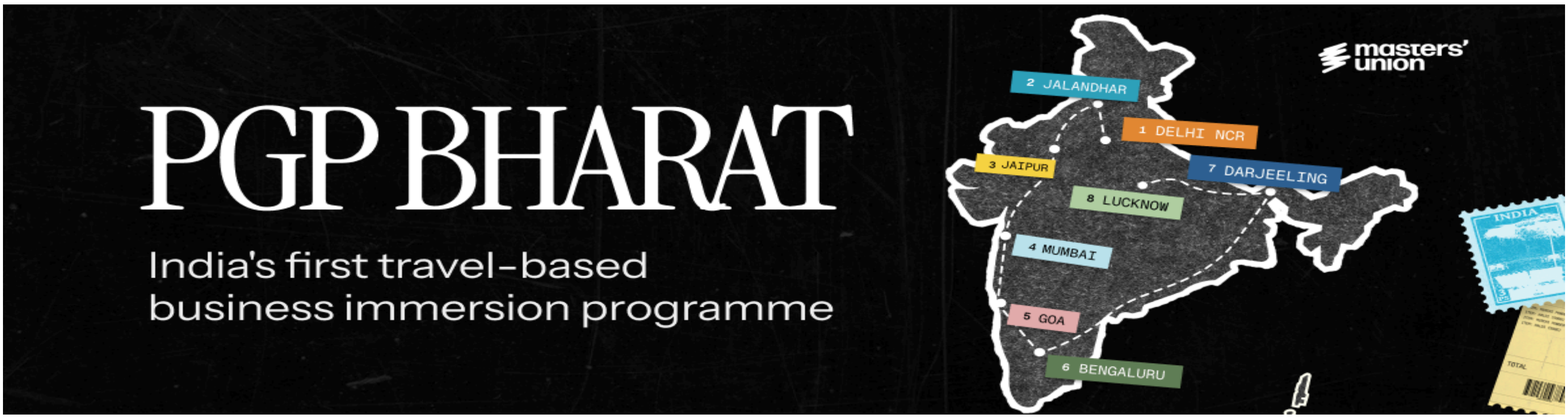
1. Why does this immersion matter?

Every year, more first-time investors in India download a trading app than ever open a mutual fund folio. The app is free to install, the account opens in minutes, and the interface looks and feels like something built by people who actually understand how younger Indians use their phones. That's the world Dhan operates in.

Dhan was founded in January 2021 by Pravin Jadhav, former CEO of Paytm Money, along with Alok Pandey, Jay Prakash Gupta, and Raunak Rathi, and launched to the public in November 2021 as a technology-driven investment and trading platform. The pitch was straightforward: India's financial ecosystem had moved fast, faster settlement, mobile-first onboarding, real-time data, but the trading apps people actually used hadn't kept pace. Dhan built for that gap, and it worked. The platform reached unicorn status in October 2025 after raising $120 million, and it now sits among the more credible challengers to Zerodha, Groww, and Upstox in India's discount broking market.

But here's the tension worth sitting with before you walk in. Dhan markets itself as a platform for "super traders and long-term investors" in the same breath, as if these are naturally compatible identities living inside one app. SEBI's own FY26 study found that 87.7% of individual F&O traders lost money that year, with an average loss of about ₹1.17 lakh per trader, and options alone accounted for roughly 92% of those losses. This isn't a story about uninformed people getting fooled. Many of these traders know the odds and trade anyway. That's not an information problem. It's a psychology problem, and it's one that every fintech platform, including Dhan, has to make a choice about: do you design for how people actually behave, or for how you'd like them to behave?

This pre-read gives you two frameworks to carry onto that question, not to judge Dhan, but to understand what's actually happening beneath the interface.



2. Company snapshot

#	Detail	Information
1	Organisation Name	Dhan, operated by Raise Securities Private Limited (formerly Moneylicious Securities), part of Raise Financial Services
2	Industry/Sector	Fintech, discount broking, wealth management
3	Founded	November 2021, by Pravin Jadhav, Jay Prakash Gupta, and Alok Pandey, along with Raunak Rathi
4	Founder Background	Pravin Jadhav is the former CEO of Paytm Money
5	Headquarters	Mumbai, Maharashtra
6	Funding Status	Achieved unicorn status in October 2025 after a $120 million funding round
7	Primary Competitors	Zerodha, Groww, Upstox, Angel One
8	Website	dhan.co

3. Why do smart, well-informed traders keep losing money in F&O?

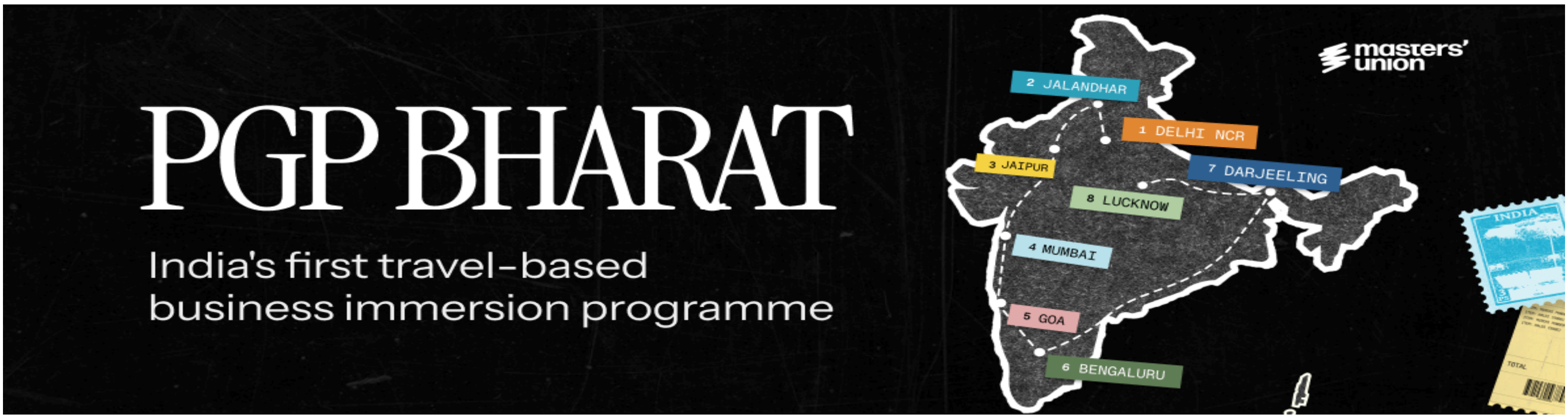
What is Prospect Theory? (Easiest Explanation)

If you asked most people why retail traders lose money in derivatives, the instinctive answer is "they don't know what they're doing." The data says otherwise. SEBI's FY26 study found that among traders who had already lost money for two consecutive years and kept trading anyway, approximately 90% lost again the following year. These aren't naive first-timers. Many are repeat participants who understand the odds are against them and trade regardless.

Prospect Theory, developed by Daniel Kahneman and Amos Tversky in their 1979 paper "Prospect Theory: An Analysis of Decision under Risk" (*Econometrica*), explains this without needing to assume anyone is foolish. The theory's central claim is that people don't evaluate financial outcomes against their total wealth. They evaluate them against a reference point, usually the price they entered at, and losses relative to that point hurt roughly twice as much as an equivalent gain feels good. That asymmetry is called loss aversion, and it produces a very specific behavioural pattern: people turn cautious once they're ahead, wanting to lock in the win, but turn into risk-seekers once they're behind, because accepting a loss as final feels far worse than gambling for a chance to get back to even.

This maps directly onto what SEBI's numbers show. Individual traders' net losses in the equity derivatives segment rose 41% year-on-year to ₹1,05,603 crore in FY25, and even as participation fell sharply in FY26, dropping from about 98.1 lakh active traders to 78.6 lakh, aggregate losses still totalled ₹91,685 crore, with 87.7% of individuals still ending the year in the red. Fewer traders, similar loss rate. The people cutting losses and leaving weren't necessarily the ones losing the most; the people staying are often the ones still chasing a way back to their reference point.

The question worth carrying onto the floor: does Dhan's own product design, real-time P&L tracking, instant order execution, and live options chains make this reference-point psychology easier to act on, or does the platform do anything to interrupt it?

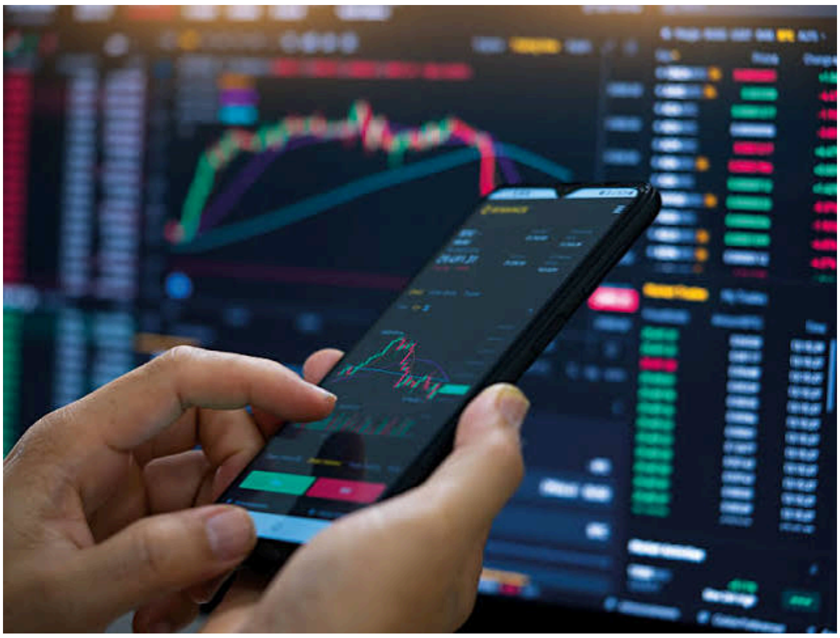


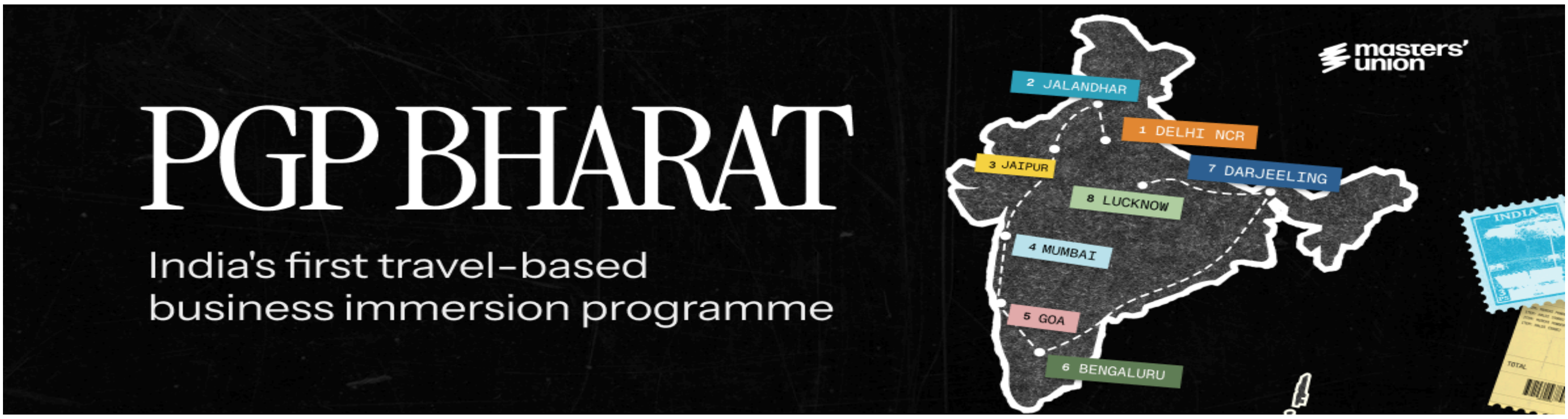
4. Why does someone trade options instead of the safer alternative, even after losing money on options specifically?

Options generated around 92% of total individual trader losses in FY26, while transaction costs alone consumed another ₹25,000 crore. Futures, the comparatively less punishing instrument, accounts for a much smaller share of losses. If people were purely optimizing for expected outcomes, you'd expect a shift away from the instrument that's clearly hurting them most.

Prospect Theory offers a second piece of the explanation here, beyond loss aversion: risk-seeking in the domain of losses isn't just about holding a losing position, it also shows up as chasing higher-variance bets to recover faster. Options offer exactly that: a small premium can produce an outsized payoff if the bet is right, which is far more appealing to someone trying to recover a loss quickly than a futures position with more linear, slower-moving risk. The instrument that's mathematically worse for the average trader is behaviourally the more attractive one for a trader already underwater.

This is worth testing directly with Dhan's team: does the platform see different behaviour patterns between traders who are up versus traders who are down on their account, and if so, does that show up anywhere in how the product nudges, warns, or simply stays silent?





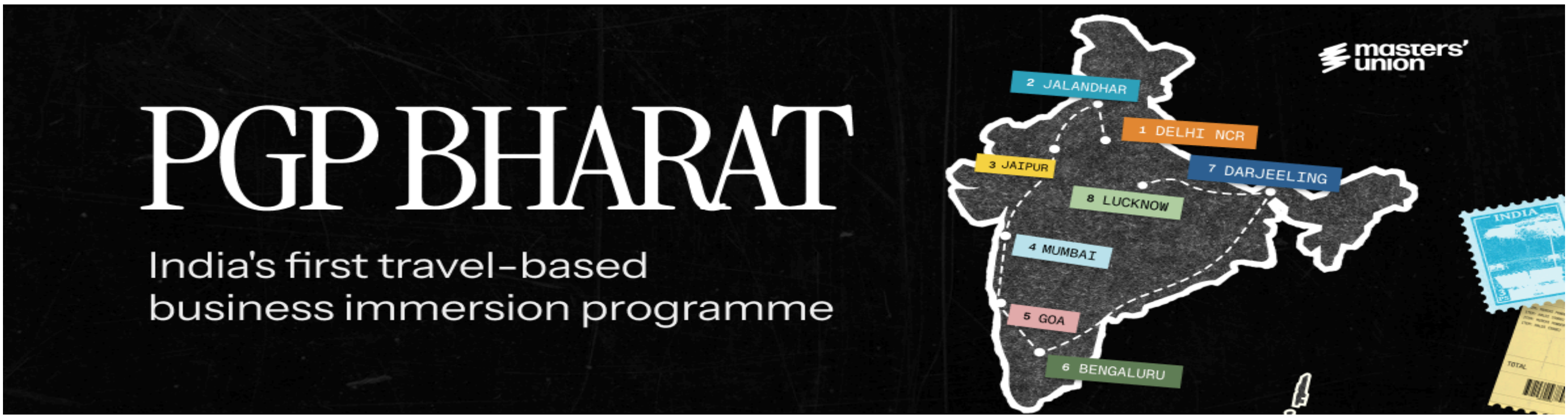
5. Why does trading feel more compelling than investing, even to people who know better?

Prospect theory explains what happens once someone is in a position. Hyperbolic discounting explains why the position gets opened in the first place and why fast-feedback trading pulls harder on attention than slow, patient investing does.

The framework originates in Richard Thaler's 1981 paper "Some Empirical Evidence on Dynamic Inconsistency" (*Economics Letters*), building on earlier psychological work by George Ainslie, and was formalised more rigorously by David Laibson in his 1997 paper "Golden Eggs and Hyperbolic Discounting" (*Quarterly Journal of Economics*). The core finding: people don't discount future rewards at a steady, consistent rate the way classical economic models assume. Instead, they discount much more steeply for delays that start now than for equally long delays that start later. In plain terms, a reward available today feels disproportionately more valuable than the same reward a week from now, but a reward in 52 weeks doesn't feel meaningfully different from one in 53 weeks. This is why people who fully intend to save for the long term still find it so easy to spend today and then intend to start saving again "next month", indefinitely.

Apply this to Dhan's own dual identity as a platform for "super traders and long-term investors". Intraday trading and F&O offer the sharpest possible present reward: a position opens and resolves within hours, sometimes minutes, with a live number on screen the entire time. A SIP into a mutual fund offers the opposite: the reward is real but distant, uncertain in exact size, and invisible on a day-to-day basis. Hyperbolic discounting predicts that even someone who genuinely wants to be a long-term investor will find the F&O tab more magnetic in the moment, not because they've abandoned their long-term goal, but because present rewards are structurally overweighted in how the brain evaluates them.

This isn't a claim about Dhan's intentions. It's a claim about what any platform offering both experiences side by side is up against. The question for the floor: has Dhan's team noticed this tension inside its own user base, traders who open the app for one purpose and end up spending most of their time and attention on the other, and if so, does the product do anything about it?

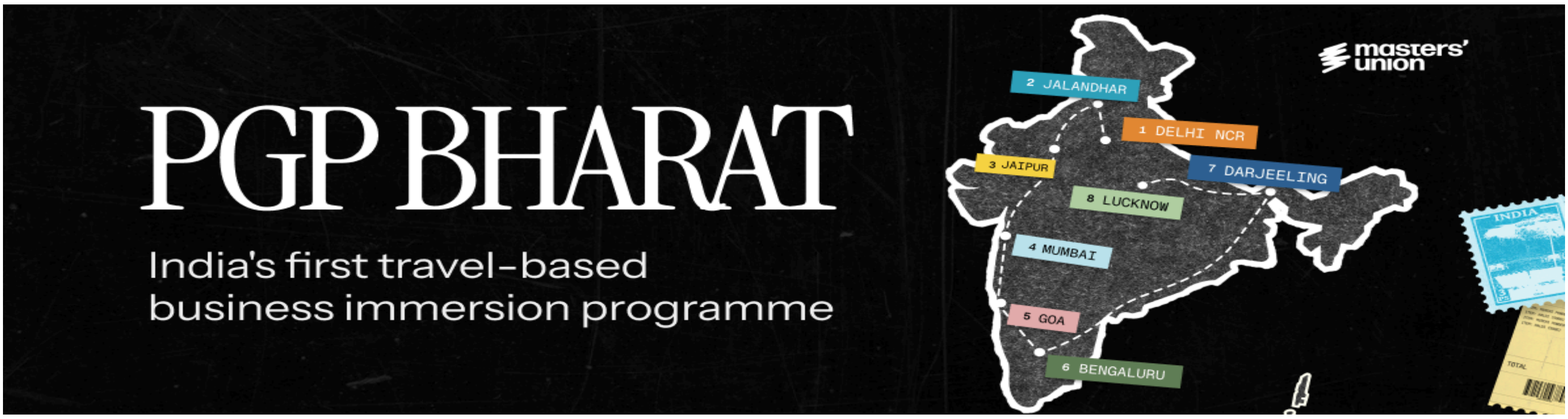


6. If broking is free, whose behaviour is Dhan's business actually built to encourage?

Dhan, like most modern discount brokers, doesn't primarily make money from charging commission on every trade. Revenue in this business model tends to come from a mix of sources: transaction charges on F&O specifically (which remain chargeable even when equity delivery is free), float income on funds sitting in customer accounts, margin trading facility interest, and cross-sell into other products like mutual funds, IPOs, and Gold Vault.

This isn't a criticism, every discount broker globally runs some version of this model. But it does mean that a broker's most profitable customer is often not the passive long-term investor holding index funds for a decade. It's the active trader generating frequent F&O transactions. That creates a structural question worth putting to Dhan directly, not accusingly, but analytically: when a company's revenue model is healthier the more actively customers trade, does behavioural design naturally, even unintentionally, drift toward making trading easier and more engaging, rather than toward interrupting the loss-aversion and present-bias patterns described in the two frameworks above?

SEBI itself has clearly concluded something needs interrupting. The regulator's response has included limiting weekly options expiries and raising lot sizes, both of which make it structurally harder to act on short-term impulses. Whether that's the right lever, and whether platforms like Dhan see themselves as having any responsibility beyond regulatory compliance here, is a genuinely open and interesting question to raise with the team.

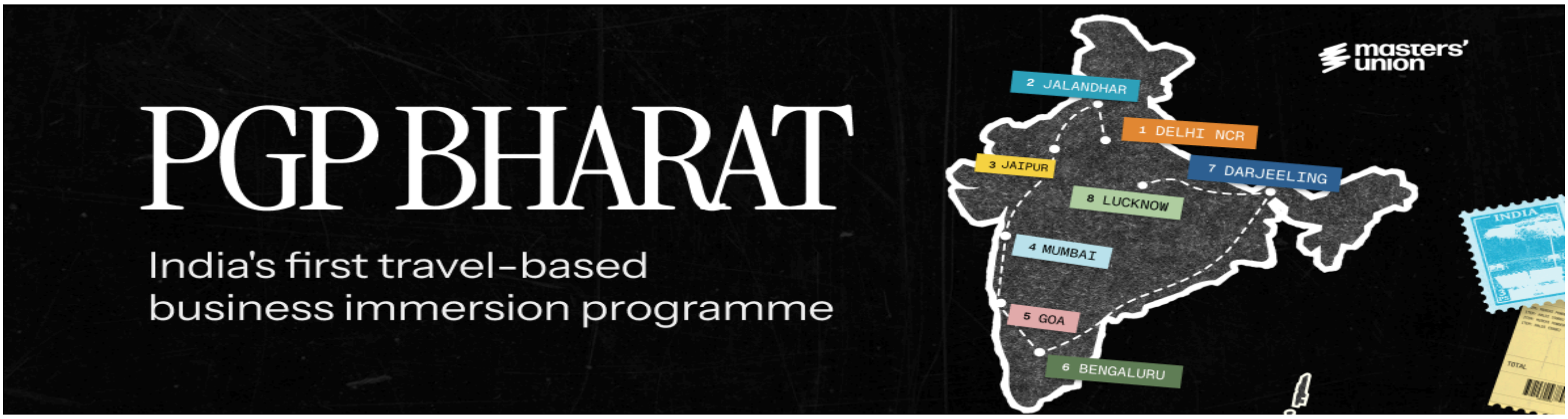


7. Glossary

Term	Meaning
Prospect Theory	A framework showing that people evaluate financial outcomes relative to a reference point, not total wealth, and that losses feel roughly twice as painful as equivalent gains feel good.
Loss Aversion	The tendency to weigh the pain of a loss more heavily than the pleasure of an equivalent gain.
Reference Point	The benchmark, often an entry price, against which a person judges whether they're "up" or "down."
Risk-Seeking in Losses	The tendency to take on more risk once already in a loss, in an attempt to get back to the reference point, rather than accepting the loss.
Hyperbolic Discounting	A framework showing that people discount the value of future rewards more steeply for delays starting now than for equally long delays starting later, making immediate rewards feel disproportionately more attractive than distant ones.
Present Bias	The tendency to overweight immediate outcomes relative to future ones, even when the person's own long-term goals suggest otherwise.
F&O (Futures & Options)	Derivative contracts that let traders speculate on or hedge against future price movements, often using leverage.
Float Income	Revenue a broker earns from interest on customer funds held in accounts before they're invested or withdrawn.
Discount Broking	A brokerage model offering low or zero commission on trades, typically relying on other revenue streams instead of per-trade fees.

8. Resources to go through before Immersion:

1. Dhan raises $120 million from Hornbill Capital and others to join unicorn club, scale Gen Z stock broking
2. Dhan Success Story: How Dhan Became a Top Broker in India
3. Dhan builds in-house charting with Kiro on Amazon Bedrock | Case Study | AWS



9. Guiding Questions

1. SEBI's data shows repeat losers keep coming back and losing again. Does Dhan see this pattern in its own user base, and does the platform do anything differently for a trader who has lost money for two consecutive years?
2. If options are responsible for the vast majority of individual trader losses, why do platforms continue to make options trading as frictionless and prominent as equity investing?
3. Does Dhan's product team think about the tension between its "super trader" and "long-term investor" audiences as two different psychologies being served by one app, or as one continuous customer journey?
4. Are Dhan's most active traders also its most confident ones, even if they're not making money? Is "active user" actually a good thing for this business to chase?

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