



F&O Strategy

Gail (India): Buy Oct call

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The stock of Gail (India) (₹172.02) is ruling at crucial level. Immediate support levels are at ₹165 and ₹154. A close below the latter will change the long-term outlook to negative. Nearest resistance levels are at ₹184 and ₹201. A close above the latter has the potential to trigger a fresh leg of rally. We expect the stock to move in a narrow range between ₹160 and ₹190 in the short term before taking directional movement.



F&O pointers: The futures witnessed a healthy rollover of 60 per cent to October series. The October Gail futures and September futures closed at ₹175.72 and ₹174.74 respectively against the spot price of ₹172.02. The healthy premium suggests rollover of long positions. From 27.12 lakh shares on September 1, the Oct futures' open interest jumped to 6.19 crore shares now.

Strategy: Consider Gail (India) October 172.50-call that closed with a premium of ₹5.05 on Friday. As the market lot is 3,150 shares, this strategy would cost ₹15,907.50.

Initial stop-loss can be at ₹2.75. Shift the stop-loss to ₹5 if the premium of the options moves past ₹5.60. Traders can aim for a target of ₹6.75-7.5. Holding the position for two weeks. If the stock sees a gap up open or down of about 3 per cent on Monday, traders can stay away from the strategy.

Follow-up: Trade on Titan Company hit stop-loss.

Note: The recommendations are based on technical analysis and F&O positions. There is a risk of loss in trading.

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India's leading ethanol producer, TruAlt Bio Energy (TruAlt), will raise ₹750 crore of primary capital from the IPO that closes on Monday. A large part of funds will go towards working capital funding (₹422 crore), while ₹172 crore will go towards converting its Ethanol Unit-4 (currently molasses and sugar juice based) into a dual feed plant and ₹156 crore for general corporate purposes. Further, promoters' will sell stake worth ₹89 crore in the IPO, post which their stake will reduce by 17.6 per cent to 70.6 per cent.

Investors with a long-term investment horizon of five years and appetite for high risk can consider subscribing to the IPO. At the upper end of the price band of ₹496, the issue is priced at 24 times its FY25 earnings on a pre-dilution basis, at a 20 per cent discount to peers such as Triveni Engineering and Praj Industries. However, on a post-issue basis, the valuation will be in-line with peers.

TruAlt has the largest ethanol capacity in the country, at 2,000 KLPD, spread over five manufacturing units located in Karnataka. In 2021, the promoters incorporated TruAlt and over the last four years have consolidated all the manufacturing units into this entity, which were hitherto held by the promoters in other entities.

TruAlt has seen healthy growth in revenue and EBITDA, which grew 56 per cent and 64 per cent respectively in FY25.

WHAT WORKS

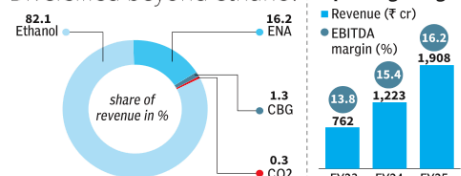
One, TruAlt, which until recently was fully reliant on sugarcane juice and molasses for its raw material, has now converted three of its plants into dual feed plants. For example, in the last two years, the FRP (fair and remunerative price, mandated by government) of cane, has increased 13 per cent, while sugar-based ethanol prices have not been revised. This has had an impact on the margins of sugar-based ethanol producers, at least to the extent of supplies to oil marketing companies. Now, with the completion of the conversion work at its unit-4, the company's total dual

Betting on sustainability

IPO WATCH. While there are some risks, focus on dual feed ethanol plants, expansion into CBG business and valuation tilt the scale for TruAlt Bio Energy



Diversified beyond ethanol



Valuation



*pre-issue basis

Source: RHP

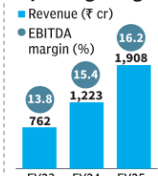
feed, fungible capacity will now increase to 1,300 KLPD, which is almost 65 per cent of its total capacity.

This will help the company in two ways: The operation cycle at the dual feed plants, which was 210-250 days, due to seasonality in cane crop and non-availability of molasses post crushing season, can go beyond 330 days. The company will also have better flexibility to choose raw material based on viability and availability of raw materials, which will not only help recover fixed costs but can also result in operating margin improvement. Utilisation in the ethanol segment has been lower at 45 per cent, and is expected to increase, going forward.

Two, TruAlt being one of the early producers of CBG under the Sustainable Alternative To-

wards Affordable Transportation ("SATAT") scheme introduced by the Government of India in 2018, this business is now gaining traction. Positioned as an efficient alternative to compressed natural gas (CNG), as India is still dependent on imported gas for meeting its CNG requirement, the company has seen this segment grow to about ₹23 crore in FY25. To expand its CBG footprint, the company is in discussions with GAIL, for investment in its subsidiary Leafiniti. Besides, the company is also working on partnerships with Japanese majors for setting up five CBG plants at various locations. It is also looking to collaborate with global chemical players such as Sumitomo Corporation Asia & Oceania Pte. Ltd in the bioenergy sector. Higher contribution from

Improving margin



IPO rating

TruAlt Bioenergy Ltd	
Business	★★★★★
Financials	★★★★★
Management	★★★★★
Valuation	★★★★★
Overall	★★★★★
Rankings 1 to 5, 1 denoting lowest and 5 highest	
Offer period	Sept 25 - 29, 2025
Issue size	₹839 cr
Price band	₹472 - 496
Market cap	approx. ₹4,250 cr

the CBG segment will not only help reduce the volatility in earnings in the ethanol business given the government control in end-product prices, but can also accelerate growth given the huge demand gap.

Third, expansion into other products such as 2G (second generation) ethanol, wherein it is collaborating with Praj Industries, foray into segments such as sustainable aviation fuel, setting up of dispensing stations for bio-fuels will help long-term growth. The company also has ambitious plans to foray into businesses such as green hydrogen amidst others. Capital and execution may be the key risks for TruAlt Energy to action its future projects and investors must track this diligently.

KEY CONCERNS

High leverage, as of March 2025, with total borrowings of ₹1,170

crore translating into a debt-to-equity ratio of 2 times, is a concern. While this will moderate to less than 1x post the equity issuance, debt-to-EBITDA ratio as of FY25 was also elevated at 3.6 times. But out of the total borrowings, ₹940 crore is a long-term debt, secured under interest subvention scheme at significantly-low interest rates of under 5 per cent.

Ethanol business particularly supplies to oil marketing companies which continues to be controlled by the government — with the latter having the final say both on inputs and end-product realisation. However, over the years, TruAlt's revenue from Extra-Neutral Alcohol, which is the potable alcohol with application across industries such as food and beverage, pharma, cosmetics has increased from 7 per cent of revenue in FY23 to 16 per cent in FY25. This can mitigate the risk from the government control in the ethanol business.

The company has been sourcing raw material from promoter-owned entities. This accounts for 100 per cent of its sugar juice supplies, while sourcing of molasses from the promoter entities has reduced from 98 per cent in FY23 to 79 per cent.

With the company using alternate raw materials such as rice, corn, this can potentially come down in the near future. However, investors must monitor the nature of related party transactions, post the IPO.