

TruAlt Bioenergy Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
25 Sept 2025	29 Sept 2025	₹472-496	SUBSCRIBE

Company Overview

TruAlt Bioenergy Limited (TBL), incorporated in 2021 and part of the MRN Group, is one of India's largest biofuels producers and the country's largest ethanol manufacturer by installed capacity. As of FY25, the company operates five distillery units in Karnataka with a combined capacity of 2,000 kilo liters per day (KLPD), representing a 3.6% share of India's total ethanol manufacturing capacity. Its core business focuses on ethanol production, supplying primarily to Oil Marketing Companies (OMCs) under the government's Ethanol Blending Program. Alongside ethanol, TBL has expanded into compressed biogas (CBG) through its subsidiary Leafiniti Bioenergy, which is among the first producers under the government's SATAT scheme (2018).

As of March 2025, Leafiniti runs a 10.2 tons per day (TPD) CBG plant, generating solid and liquid fermented organic manure (FOM) as by-products. To scale its CBG footprint, TBL has signed MoUs with a Japanese gas company and Sumitomo Corporation Asia & Oceania Pte. Ltd. for future collaborations. The company has also started forward integration into fuel retailing, operating five biofuel dispensing stations in Karnataka after receiving an OMC license in 2025. Looking ahead, TBL has announced plans to diversify further into second-generation ethanol, sustainable aviation fuel (SAF), Mevalonolactone (MVL), and allied biochemicals, positioning itself as a multi-vertical clean energy platform supporting India's long-term energy transition.

Industry Outlook

India is set to become the fastest-growing bioenergy market in the world between 2023 and 2030, contributing to more than one-third of global demand growth. This strong momentum is being supported by government policies, new technologies, and the focus on energy security and reducing pollution. The National Biofuels Policy has set ambitious targets of 20% ethanol blending in petrol and 5% biodiesel blending in diesel by 2030, which has led to rapid capacity additions and large investments across the country. Another key initiative is the SATAT scheme (Sustainable Alternative Towards Affordable Transportation), which encourages the setting up of Compressed Biogas (CBG) plants. Under this scheme, producers receive financial incentives and assured purchase agreements with Oil Marketing Companies (OMCs), which helps reduce business risks. CBG is being positioned as a cleaner substitute for conventional fuels in both transportation and industrial use. Alongside these initiatives, the government has also started building a framework for Sustainable Aviation Fuel (SAF), with early blending targets of 1% by 2027 and 2% by 2028, initially for international flights. India is supporting R&D, pilot projects, and partnerships with global players to build domestic SAF capacity, aligning with global aviation's net-zero 2050 roadmap. Together, these measures are creating a large, stable, and fast-growing biofuels market, making the sector a central pillar in India's energy transition story.

Investment Rationale

1. Market Leadership in Ethanol Capacity with Technology Upgradation

TruAlt Bioenergy is India's largest ethanol producer by installed capacity, operating 2,000 KLPD across five distilleries as of FY25. The company has demonstrated strong execution by scaling both organically (new Bagalkot greenfield plant of 200 KLPD) and through brownfield upgrades. Its plan to convert 1,300 KLPD to dual-feed technology (grain + sugarcane/syrup/molasses) by FY26 enhances feedstock flexibility, reduces raw material risk, and future-proofs capacity against cyclical sugar supply shocks. Additionally, the integration of a 200 KLPD second-generation (2G) ethanol plant using 8 lakh MT of bagasse not only unlocks captive by-products but also aligns with policy incentives for advanced biofuels. This leadership position ensures strong visibility under India's Ethanol Blending Programme (EBP).

2. Secured and Integrated Raw Material Procurement

TBL benefits from a structurally strong raw material sourcing model through its promoter group entities, which collectively have a sugarcane crushing capacity of 79,000 TCD. This provides consistent supply of molasses, syrup, and cane juice—critical inputs for ethanol production. The agreement structure is favourable: while promoter entities must supply raw materials on request, TBL is not bound by minimum purchase obligations, giving it flexibility to also tap into the open market when prices are attractive. This balance of security and flexibility optimizes procurement costs, ensures operational continuity, and supports stable margins in a volatile commodity environment.

3. Strong Growth Pipeline with Strategic Diversification

The company is broadening its energy portfolio beyond ethanol by entering compressed biogas (CBG), sustainable aviation fuel (SAF), and future green hydrogen projects. Its JV with GAIL (Leafiniti Bioenergy) enables scale-up of multiple CBG plants, with additional partnerships with Sumitomo Corporation and a Japanese gas company strengthening its global linkages. Notably, TBL has tied up with UOP LLC for process technology to produce 100 million litres (10 crore litres) of SAF annually, which could make it one of the world's largest SAF producers. These diversification moves place TBL in the high-growth segments of renewable energy, unlocking significant optionality and long-term growth beyond ethanol blending.

4. Forward Integration into Fuel Retailing

With authorization from the Ministry of Petroleum & Natural Gas to operate as an Oil Marketing Company (OMC), TBL has become the first biofuel-led private OMC in India. The company plans to establish 100+ retail fuel outlets across Karnataka and Maharashtra, selling petrol, diesel, and its own biofuels. This forward integration expands margins by capturing retail distribution economics while building brand visibility with end consumers. Moreover, direct retail access strengthens its ability to integrate ethanol-blended petrol, CBG, and future green fuels into the consumer market, creating a captive outlet for its diversified product portfolio.

5. Integrated Renewable Energy Platform with Strong USP

TruAlt Bioenergy's unique selling proposition lies in its multi-fuel, integrated approach—covering ethanol, CBG, SAF, and potential green hydrogen. Unlike pure-play ethanol producers, TBL is positioned as a diversified renewable energy platform with strategic partnerships, scalable technology, and downstream presence. Its ecosystem approach—from sugarcane and grain feedstocks to advanced fuels and biofuel retailing—provides resilience, multiple revenue streams, and alignment with India's net-zero and energy transition goals. This differentiated model places TBL alongside larger energy players like Reliance-BP and Shell, but with a sharper focus on bio-based solutions, enhancing its long-term investment appeal.

Financial Snapshot

Particulars (₹ Cr)	FY23	FY24	FY25
Revenue from operations	762	1,223	1,907
EBITDA	105	188	309
PAT	49	45	159
EBITDA Margin (%)	13.78	15.37	16.2
PAT Margin (%)	6.43	3.68	8.34
EPS (Rs)	6.94	6.37	22.52

IPO Details and Use of Proceeds

Parameter	Details
Issuer	TruAlt Bioenergy Limited
IPO Structure	Fresh Issue of ₹750 Cr + Offer for Sale of ₹89.3 Cr
Issue Size	₹839.3 Cr (upper price band)
Price Band	₹472 – ₹496
Face Value	₹10 per share
Post-Issue Market Cap	₹4,253 Cr (Upper Band)
IPO Opening Date	25th September 2025
IPO Closing Date	29th September 2025
Listing	[NSE & BSE]
Promoter Holding (Pre/Post)	Pre: 88.2% → Post: 70.6%
Book Running Lead Managers	DAM Capital Advisors Ltd
Use of Proceeds	₹150.7 Cr for capex towards multi-feedstock operations ₹425.0 Cr for working capital requirements ₹174.3 Cr for general corporate purposes

Key Risk Metrics

1. High Dependency on Government Policies

TruAlt Bioenergy derives most of its ethanol revenues from sales to Oil Marketing Companies (OMCs) under the Ethanol Blending Programme (EBP). Since the EBP is entirely policy-driven and tender-based, any changes, delays, or unfavourable revisions in government regulations may directly affect ethanol demand. This creates a structural dependency on regulatory continuity for revenue visibility.

2. Reliance on Promoter Group for Raw Material Supply

The company has long-term supply arrangements with Nirani Sugars Ltd, a promoter group entity, from which it procures most of its sugar syrup and molasses requirements (100% and 79% respectively in FY25). While these contracts provide feedstock security, the reliance also exposes TBL to risks such as termination, unfavourable renegotiation, or non-performance by group entities, which could disrupt production and financial stability.

3. Vulnerability to Raw Material Availability

Ethanol production is heavily dependent on agricultural inputs like sugarcane syrup, molasses, grains, and biomass. Shortages arising from seasonal fluctuations, adverse weather conditions, crop diseases, or pest attacks can reduce availability and quality of raw materials. Such volatility in agricultural supply chains could significantly impact production volumes, costs, and overall profitability.

Valuation and Recommendation

TBL is India's largest ethanol producer with an installed capacity of 2,000 KLPD, giving it a strong scale advantage. The company is upgrading 1,300 KLPD to dual-feed capacity, which will enhance raw material flexibility and improve utilization. It is also diversifying into compressed biogas (CBG) and sustainable aviation fuel (SAF), opening new high-growth avenues. Financially, TBL has delivered an impressive Revenue/EBITDA/PAT between FY23–25, showcasing strong execution. At the upper price band of ₹496, valuations work out to ~**29.0x FY25 post-issue P/E**, which looks reasonable given its growth trajectory and diversification. We recommend a **SUBSCRIBE** rating, driven by leadership position, robust earnings momentum, and strong industry tailwinds.

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