

**F&O QUERY**

Should I hold GAIL call?



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I bought the GAIL 150 CE of August contract at ₹4.20 last week. Will it be profitable if I hold it?

ANISH

The stock of GAIL (India) (₹146.6), since early 2021, has been moving within the broad range of ₹130-170. In early July this year, the stock bounced off the lower boundary of the range i.e., ₹130 and it closed at ₹146.6 last week. Since the scrip has rebounded from the range bottom, we can assume that there can be further rally.

However, within the broad range of ₹130-170, GAIL has a considerable resistance at ₹150. While this can be breached, the timing of the same is unpredictable. This is crucial especially when you're long on call option. Because more the time it takes to break out, more the time decay in option, leading to losses. Remember that the price might even soften from here because there is a barrier.

So, your trade plan should accommodate the above said factors.

We suggest you hold your long position on a 150-strike call which you bought for ₹4.2 (which means an outlay of ₹25,620 considering that you've bought 1 lot which is 6,100 shares). However, exit the position when the stock sees a daily close below ₹142 or exit if the option price drops to ₹2.5.

On the other hand, if the stock breaks out of ₹150, there can be a swift rally, boosting call options' price. In this case, we suggest you exit when option price increases to ₹9.

Send your queries to
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