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BiofuelCircle Market Insights

December 2025

From the Editor’s Desk: Building Resilience for a Growth-Driven Year

As we conclude 2025, the Indian biomass market is demonstrating a clear evolution toward industrial maturity, moving beyond its historical role as a seasonal supplement to become a reliable pillar of the country's energy landscape. Even on December 2, 2025, Maharashtra became the first state to activate a binding 5-7% bamboo biomass co-firing mandate for all coal-based thermal power plants, fundamentally shifting the demand landscape. This landmark policy, coupled with operational advances by large private generators, has effectively decoupled briquette prices from the global fossil fuel glut.

Our analysis shows that despite a robust 60% surge in supply, market demand remains exceptionally strong, with Deal Prices rebounding to ₹1.983/kCal-kg in November. This resilience is a direct reflection of strategic year-ahead growth planning. Major industrial consumers are proactively securing inventory to de-risk their 2026 production targets. This high-conviction buying has occurred alongside significant logistical occupancy, as biomass haulage competes for capacity within a saturated rural transport network, introducing a distinct logistics premium into final costs.

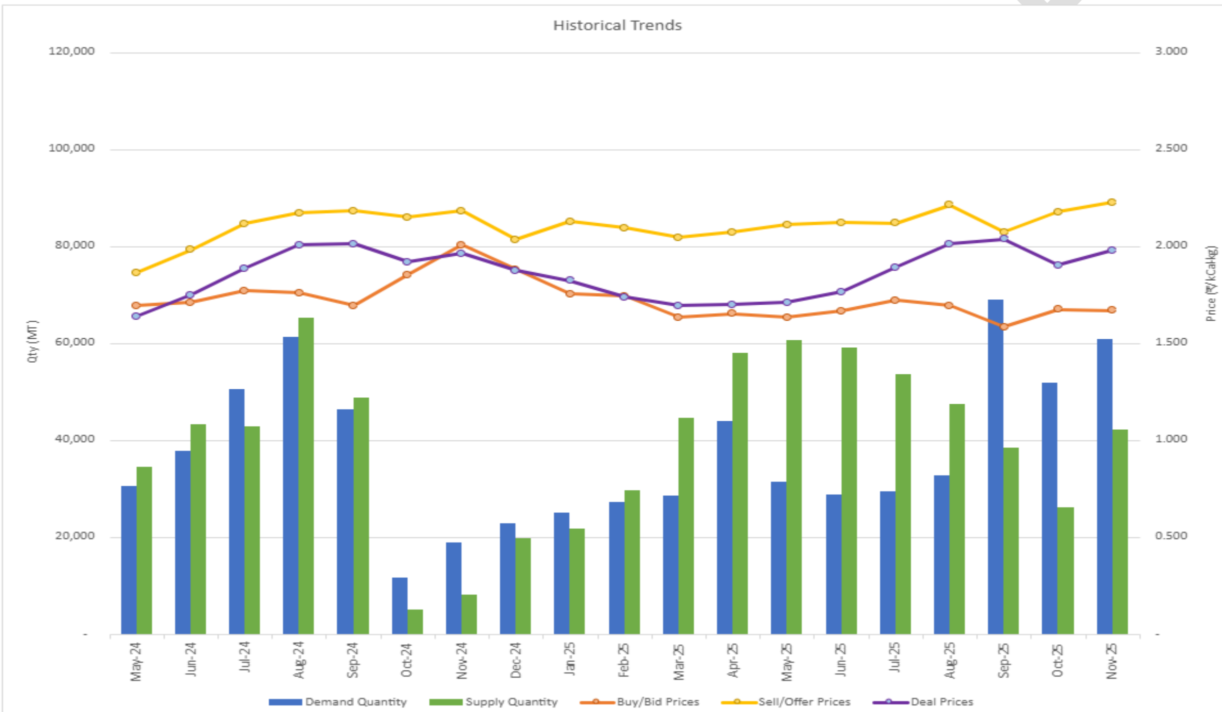
Financially, the sector has reached an important milestone, with Gross Conversion Margins (GCM) climbing to ₹2,104/MT. This return to profitability across all grades, including the recovery of previously squeezed Standard margins indicates that the industry has successfully optimized its operations for this high-demand environment.

Looking ahead to 2026, our Forward Months analysis reveals a unique pricing dynamic: while Deal Prices remain firm at ₹2.121/kCal-kg, an extreme Bid-Ask Spread reflects a tactical "Wait-and-Watch" sentiment. Sellers are currently factoring in increased inventory carrying costs to ensure ready-to-use stocks are available, while buyers are navigating a sharp jump in consumption growth.

Who will hold the strategic advantage as January prepares for a record-clearing liquidity surge? And how will the evolving energy landscape redefine the pricing hierarchy for the first quarter of 2026?

To know more, keep reading.

Past Trends: Briquette Prices



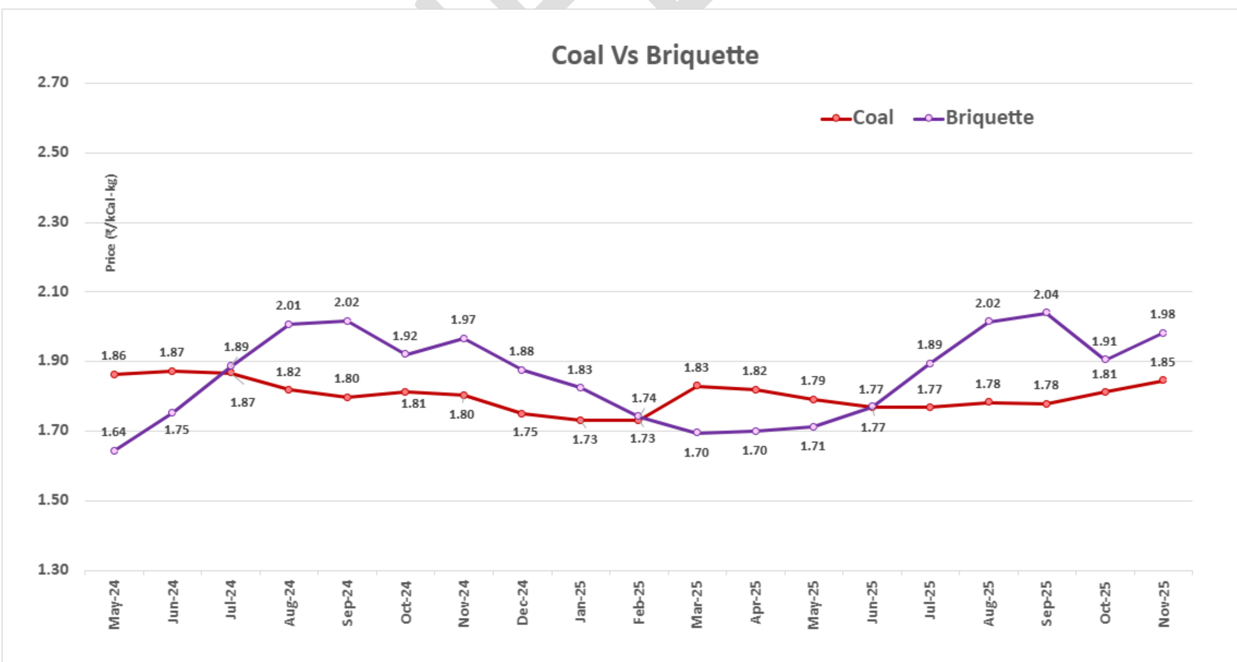
The weighted average price of Briquettes demonstrated unexpected resilience in November, rebounding to ₹1.983/kCal-kg following a brief October correction. This price action is particularly significant as it occurred alongside a robust 60% surge in Supply Quantity, which climbed to 42,175 MT. Analytically, this suggests the market is effectively absorbing the initial influx of Kharif feedstock; however, with Demand rising to 60,907 MT, industrial requirements appear to be scaling more rapidly than current supply chain stabilisation. Sellers have maintained firm positioning, with Sell/Offer Prices reaching ₹2.228/kCal-kg as they navigate year-end demand and early winter logistics.

We can anticipate that this price resilience may be driven by two simple factors: industrial growth planning and logistical congestion. Industrial consumers are aggressively planning to secure biomass to hit their 2026 production and green energy targets. This proactive buying intent effectively absorbed the initial Kharif supply, preventing the typical price correction seen in November. Second, the rural transport network is currently at full capacity. Biomass haulage is competing for limited transportation support with the broader agricultural harvest and other primary rural businesses. This logistical occupancy has added a hidden premium to delivery costs. Consequently, while Bid Prices stayed at ₹1.671/kCal-kg, actual deals closed at a ₹0.31 premium as Buyers prioritised supply security over cost.

We analyse this current phase as a state of transitional equilibrium. On the surface, the market remains firm with Deal Prices at ₹1.983/kCal-kg, but this is largely due to the temporary logistics premium and the rush to secure 2026 supply. As transportation bottlenecks ease and the full volume of the delayed harvest hits the market, we expect liquidity to normalise. We view this as a strategic window for portfolio balancing. For Sellers, it is an ideal time to lock in high-volume contracts at current premiums before the supply surge potentially cools prices. For Buyers, while spot costs are high, the widening Bid-Ask spread suggests a favourable environment for negotiating forward deals. Securing supply now ensures energy stability for next year's growth targets.

Price Comparison: Coal vs Briquettes

The chart below compares the weighted average delivered prices of Biomass Briquettes to those of imported coal (GCV 3400 GAR, Gross as Received). We call the difference between these prices as the 'spread.' Coal prices in this chart (maroon line) are sourced from market publications, for Indonesian origin coal (3400 GAR), imported at Kandla and delivered on average 300 km inland. Briquette prices (purple line) are based on deals done on the platform. Both are converted to GCV basis, for meaningful comparison.



The Coal vs Briquette spread showed a renewed expansion in November, with briquettes commanding a 13-paise premium over equivalent imported coal. This trend marks a significant departure from the historical parity seen earlier in the year, as briquette prices rebounded to ₹1.98/kCal-kg even as global coal markets remained under heavy pressure.

This divergence is increasingly tied to the global thermal coal glut. In November 2025, international prices retreated from multi-month highs, falling below $110 per ton due to weakening industrial activity and massive stockpiles in China (~230 million tonnes). While this global oversupply and suppressed international pricing put downward pressure on imported fuel, Indian domestic dynamics remained buffered. Coal India Limited (CIL) reported a marginal 1.2% year-on-year production increase to 68.0 MT, but total off-take (dispatches) slipped by 0.3% to 62.7 MT. This softening dispatch reflects thermal power plants operating with higher inventories and a gradual shift toward greener energy sources, which helped India reduce its overall coal import reliance.

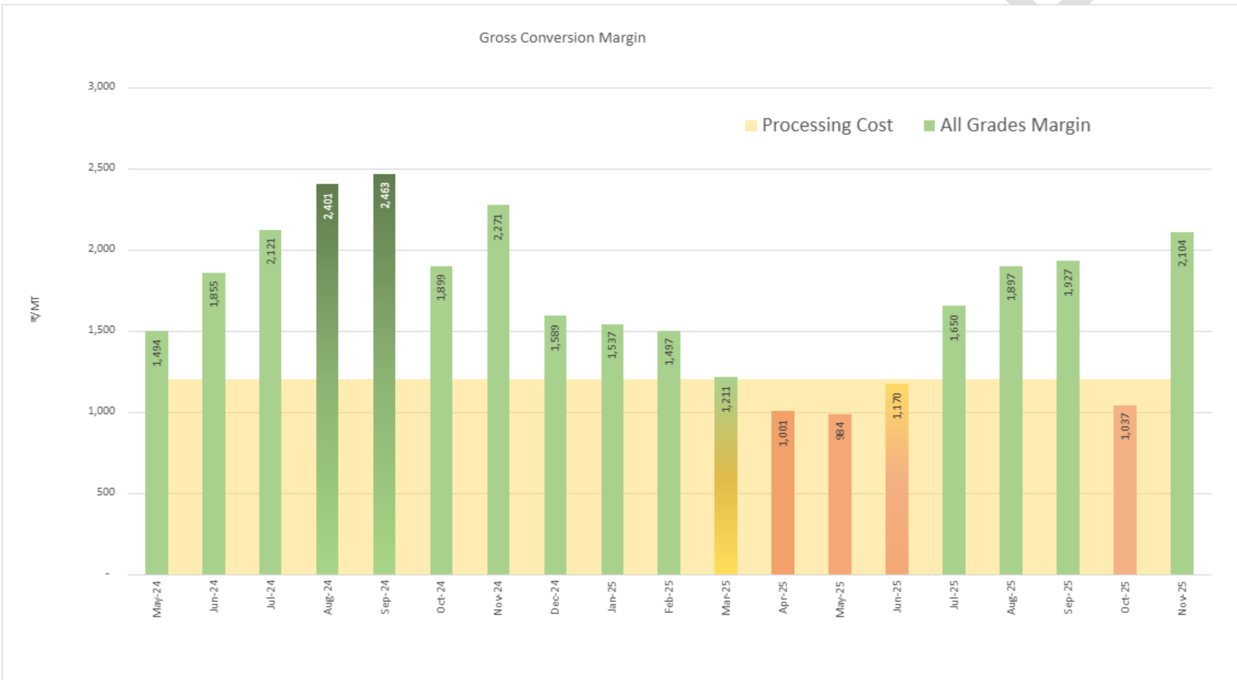
Despite the "Goldilocks period" of domestic production gains and low global fuel costs, the demand for biomass co-firing has decoupled briquette prices from these fossil fuel benchmarks. Mandated 5% co-firing requirements continue to create a persistent demand floor, forcing briquette prices higher as industrial users prioritise long-term energy security over the cheaper, oversupplied global coal.

The current market is navigating a dual-speed energy landscape. While India's strong domestic coal production and weak global trade volumes (set to shrink 5% in 2025) are keeping baseline fuel costs stable, the Mandate Premium for briquettes is now a permanent structural feature. We anticipate that as the harvest delay eases in late December, the spread will stabilise in the 10–15 paise range. For Buyers, this underscores the importance of biomass as a premium green asset; for Sellers, it highlights a window to leverage high-value contracts while global coking coal remains exposed to international market volatility.

Past Trends: Gross Conversion Margin

This chart shows the pan-India trend on the BiofuelCircle platform, of the difference between weighted average ex-factory price of Briquettes and weighted average delivered prices of Raw Biomass, converted to Rs per kCal-kg over the past months. Weighted average is calculated using quantity sought/ offered/ deals done, averaged over a month. This chart excludes commodities such as paddy straw, which are directly used for conversion to biogas or bioethanol.

To assess the inherent value of briquettes, we have compared the delivered price of raw biomass with the ex-factory price of briquettes. Raw biomass prices have also been adjusted for expected shrinkage across various inputs. The difference represents the GCM (Gross Conversion Margin), which includes the processor's cost of conversion, inventory holding cost, and a profit margin. We have tried to benchmark this against an average processing cost of ₹ 1,200/MT (approx. ₹0.34 per kCal-kg) as represented by the shaded region in the graph below. On top of this will be the cost of working capital, which varies from processor to processor.



The Gross Conversion Margin (GCM) staged a decisive recovery in November 2025, surging to a weighted average of ₹2,104/MT. This reversal from the October low of ₹1,037/MT was driven by a significant rebound in the profitability of individual grades as the post-monsoon feedstock transition stabilised. While the All Grades Margin reclaimed its position above the ₹1,200/MT processing cost benchmark, the divergent performance of the three GCV standards highlights the complex pricing dynamics currently at play.

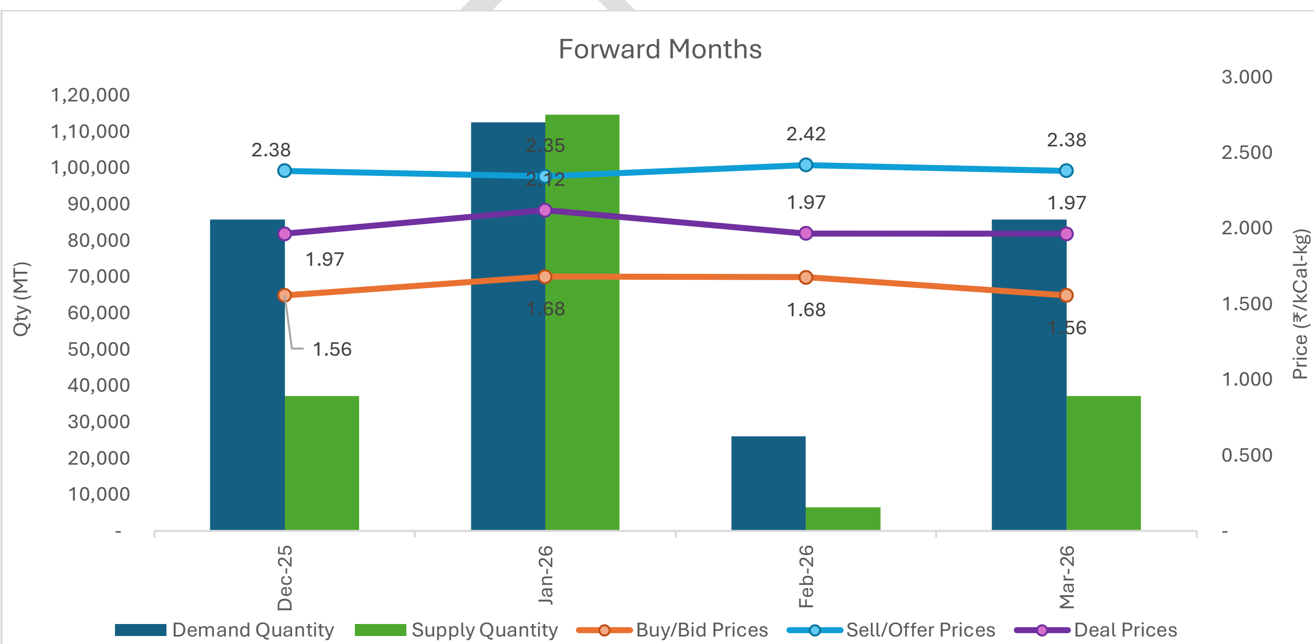
The most significant shift occurred in the Standard (3200 GCV) GCM, which finally returned to a good positive range. This recovery confirms that the initial arrival of moisture-laden Kharif residues has passed, and manufacturers are now accessing higher-quality, drier feedstock (like cotton stalk and sugarcane trash) that yields better conversion efficiency. Simultaneously, Superior (3400 GCV) GCM saw a sharp spike to ₹1,989/MT, nearing its September peak, as manufacturers successfully passed on higher costs to industrial users, securing year-end supply.

In contrast, Premium (3800 GCV) margins continue to act as a significant buffer for the overall weighted average. Premium grades have demonstrated consistent resilience throughout the seasonal transition, driven by robust demand from industrial users who prioritise high calorific value and energy density over raw cost. This "Premium cushion" has ensured that even during broader market corrections, the collective GCM has remained closer to or above the reference level for the majority of the year.

The current GCM levels suggest that the market has successfully navigated the volatile phase of the feedstock transition. While the surge to ₹2,104/MT is a welcome relief for manufacturers, we believe this level is a reflection of the temporary supply-lag premium currently commanded by sellers. As the full volume of the winter harvest enters the supply chain in late December, we anticipate the GCM will stabilise within a more conventional 25% to 30% range. For processors, the current window offers an opportunity to rebuild working capital reserves before high-volume liquidity begins to exert downward pressure on ex-factory prices.

Forward Months: Briquette Prices

The prices (for Buys/ Bids, Sells/ Offers & Deals), as well as demand & supply quantities in the chart below, are for delivery of biomass briquettes in the months to come.



The forward market for briquettes reveals a significant paradox in pricing strategies as we move toward the 2026 calendar year. While Deal Prices remain stubbornly elevated, peaking at ₹2.121/kCal-kg in January 2026, there is an extreme divergence between Buyer and Seller expectations. Buyers are signalling historically low bids, dropping to ₹1.557/kCal-kg for December 2025 and March 2026 deliveries. In contrast, Sellers have pushed their Offer Prices as high as ₹2.419/kCal-kg for February 2026.

Analytically, this Seller positioning is likely driven by inventory carrying costs and a significant jump in industrial consumption growth. Processors are currently managing higher holding costs to maintain ready-to-use stocks, while industrial consumers are projecting higher production requirements for Q1 2026, creating a preemptive demand surge that allows Sellers to hold out for higher valuations.

While current data shows prices trending upward through February and March, we anticipate that the arrival of the new Kharif harvest will eventually exert downward pressure on these levels. Although the current market indicators do not yet reflect this cooling effect, the projected record-clearing liquidity in January with supply estimated at 1,14,725 MT suggests a potential realignment is on the horizon. We will continue to monitor these trends closely in the coming weeks to see how the influx of new feedstock impacts forward pricing in our next edition.

In Conclusion

The briquette market has demonstrated significant structural resilience, with the weighted average price stabilising at ₹1.983/kCal-kg in November 2025. This pricing strength, sustained despite a 60% surge in monthly supply, confirms a robust industrial demand floor. Large-scale consumers are increasingly prioritising supply security to align with 2026 production targets and decarbonization goals. This decoupling from global energy trends is further highlighted by the Coal vs Briquette spread, which has expanded to a 13-paise premium for biomass. While a global oversupply continues to weigh on international coal benchmarks, the Indian domestic market is fundamentally re-pricing toward a Mandate Premium, accelerated by decisive state-level policies such as Maharashtra's 5–7% bamboo co-firing directive.

Profitability metrics have recovered in tandem with these market shifts. The Gross Conversion Margin (GCM) surged to ₹2,104/MT, successfully restoring manufacturer margins above the ₹1,200/MT processing cost benchmark. The return of Standard grades to positive profitability indicates that the logistical and feedstock-quality challenges of the transition period have been resolved, facilitating improved conversion efficiency. With Premium and Superior grades continuing to act as a high-value cushion, the sector enters the final quarter of the fiscal year from a position of renewed operational and financial stability.

Looking ahead, our Forward Months analysis identifies January 2026 as a critical liquidity milestone. While Deal Prices remain firm at ₹2.121/kCal-kg, the current Bid-Ask Spread reflects highly tactical positioning from both sides of the market. Sellers are currently factoring in increased inventory carrying costs to ensure the availability of combustible-grade stock, while industrial buyers are navigating a sharp jump in consumption growth. For Sellers, the window for capitalising on current high-value premiums is narrowing as the January volume surge nears. For Buyers, the projected liquidity peak in the coming month presents a strategic opportunity to secure long-term Q1 supply before the market fully institutionalises under its new mandate-driven framework.

If you are a Briquette/ Pellet manufacturer, and want to know how these trends could impact you? Get in touch with your BiofuelCircle representative to know more.

Are you a consumer of briquettes or pellets? Connect with your BiofuelCircle representative to understand how these trends can help give you to achieve price predictability and stability.

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