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BiofuelCircle Market Insights

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From the Editor's Desk: A Market That Refuses to Break

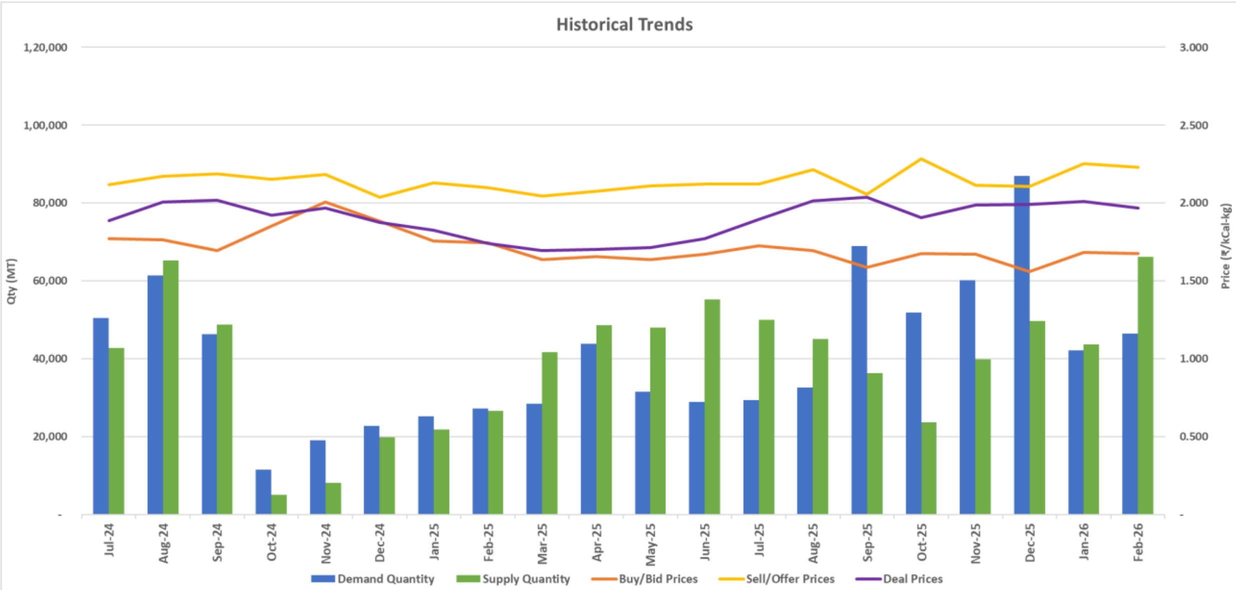
February presents a market that looks ready to correct but has not done so yet. Platform supplies have moved ahead of demand, reaching 66,211 MT against 46,514 MT, yet prices have only eased marginally, with deals settling at ₹1.969/kCal-kg compared to ₹2.011 in January. More importantly, these deals continue to close slightly closer to seller offers than buyer bids, despite the visible increase in availability. This creates a clear contradiction; the structure of the market has shifted, but the outcome is lagging to catch up.

The behavior behind these numbers explains the outcome. Buyer bids have edged down slightly to ₹1.677, while seller offers have also softened marginally to ₹2.230, but the gap between the two remains wide. Deals continue to settle closer to the seller side, indicating that even though both sides have adjusted downward, the overall price discovery is still anchored by seller expectations. At the same time, margins have begun to ease from their peak of ₹2,599/MT to ₹1,952/MT, and the gap between coal and briquettes has narrowed from 16 paise to around 9 paise, bringing the two fuels closer than they have been in months. Each of these signals, on its own, points to adjustment, but together, they describe a market that is negotiating its next phase rather than decisively entering it.

What lies ahead may not be a simple correction. March still carries the weight of year-end demand, forward prices remain firm despite improving supply visibility, and the closing gap with coal introduces a new dynamic that could influence how buyers behave in the coming months. To know more, read on.

Past Trends: Briquette Prices

This chart shows the pan-India trend on the BiofuelCircle platform, for weighted average delivered prices of Biomass Briquettes, converted to Rs per kCal-kg over the past months, along with the availability & demand from our subscribers. The weighted average is calculated using quantity sought/ offered/ deals done, averaged over a month. Buy/Bid prices (orange line) are expectations of Buyers (delivered basis). Sell/ Offer prices (yellow line) are based on responses and sells published by Sellers (again delivered basis). And finally, the Deal prices (purple line) are for deals concluded after platform-based negotiations between Buyers & Sellers. Demand (blue bars) is the total Buy quantity for the month, and Supply (green bars) is the total quantity offered by Sellers for that month.



The February data tells the story of a market at a crossroads. Platform supply reached 66,211 MT against demand of 46,514 MT. On the surface, this would typically indicate downward pressure on prices. However, when we look at how prices actually settled, the story is more nuanced.

Buyer bids remain almost flat at ₹1.677, barely moving from ₹1.683 in January. Seller offers soften only marginally from ₹2.254 to ₹2.230, indicating that sellers are not aggressively discounting despite higher visible supply. The most important signal lies in the deal price, ₹1.969/kCal-kg; which, although lower than January, still sits closer to the seller side than the buyer side.

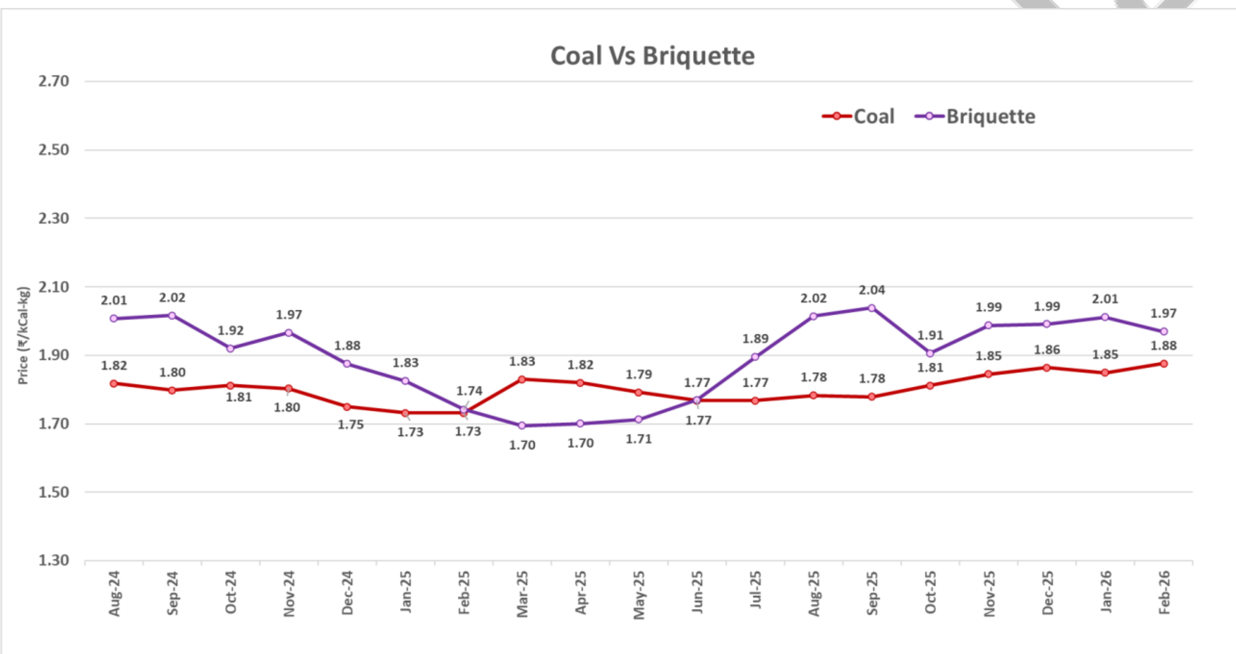
This gap is not small. The spread between bids and offers in February is still over 55 paise, and deals are closing roughly 30 paise above buyer expectations. This is critical because it tells us that buyers are still the ones adjusting upward to transact. Even in a month where supply appears abundant on the platform, the price discovery mechanism continues to favour sellers.

What has changed, therefore, is not control, but behaviour. Buyers have stopped chasing prices upward, and their bids have stabilized, indicating a shift toward caution. Sellers, on the other hand, are beginning to test the market with slight corrections, but not enough to close the spread. The result is a wide negotiation band, where transactions are happening, but without strong alignment between the two sides.

This is best understood as a transition from urgency to negotiation, not from seller control to buyer control. The data shows a market where sellers still anchor pricing, but buyers are beginning to resist, creating friction rather than collapse.

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 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.



In January, briquettes were trading at approximately ₹2.01/kCal-kg, while coal was at ₹1.85, creating a gap of around 16 paise. In February, this gap narrowed to roughly 9 paise, with briquettes at ₹1.97 and coal rising to ₹1.88.

This narrowing is happening from both sides. Briquette prices have softened slightly, but coal prices have moved upward at the same time. Recent market movements support this, with coal prices increasing across multiple regions due to rising power demand and supply-side disruptions .

On tracking this pattern across the chart, it becomes clear that this is not an isolated movement. A similar convergence occurred in early 2025, where briquette prices eventually dropped to ₹1.70–₹1.71, while coal remained around ₹1.82–₹1.83, leading to a clear inversion.

The current cycle is approaching that same point, but from a different starting position. Coal is no longer a flat baseline, it is rising. Briquettes, while softening slightly, are still holding above coal.

The implication of this convergence is straightforward when viewed from a buyer's perspective. As long as briquettes are priced above coal, they carry a substitution risk. But as that gap narrows, that risk reduces significantly. The moment both fuels approach parity, the decision may shift in the direction of processed biomass.

Once briquettes match or fall below coal pricing, this constraint may disappear. At that point, biomass may no longer a premium alternative; it will become a competitive one. Given that co-firing is already increasing across Indian thermal and industrial systems, even small shifts in relative pricing can influence fuel choice.

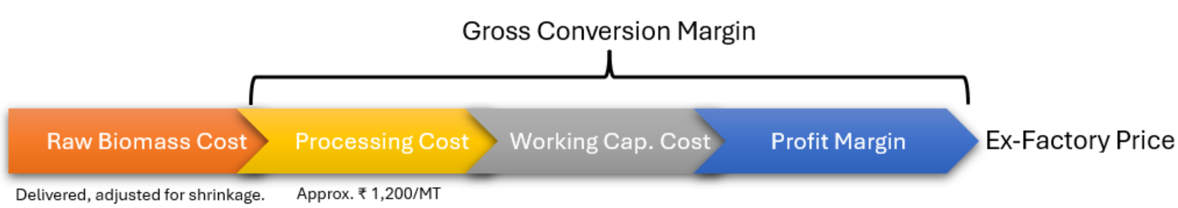
This is where the direction of the market may change. The current narrowing is not a sign of weakness in biomass. It is the setup for demand reinforcement. If this trend continues into March and April, briquettes move from being negotiated purchases to economically preferred ones.

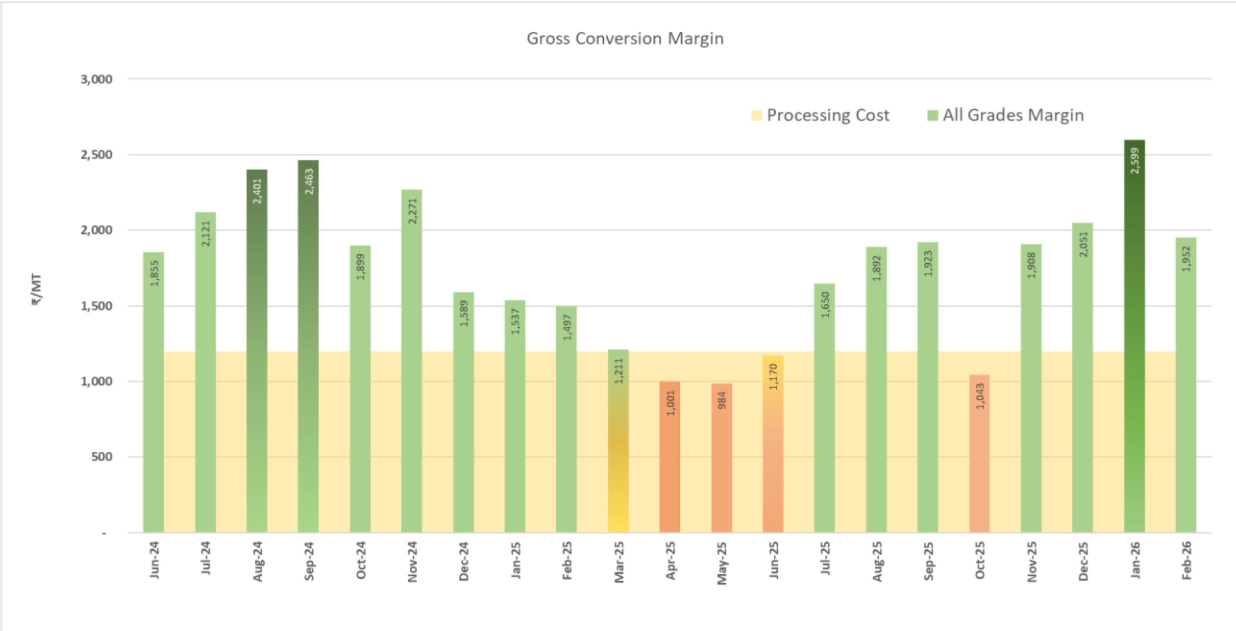
There is also a timing element to this convergence. In previous cycles, once briquettes approached or moved below coal pricing just before the monsoon, it triggered a shift in buying behaviour. Buyers began advancing procurement to secure volumes ahead of expected supply disruptions during rains. That early stocking tightened availability in the market and gradually pushed prices upward again. If the current convergence continues into the pre-monsoon window, a similar pattern could emerge, where price parity does not lead to further softening, but instead becomes the starting point for the next upward cycle.

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.





In December 2025, margins stood at ₹2,051/MT, already well above the processing benchmark. This indicated strong profitability for briquette manufacturers operating under the tight supply conditions of the late harvest cycle.

January saw margins expand dramatically to ₹2,599/MT, representing the highest level recorded in the current cycle. This surge reflected the combined effect of elevated briquette prices and relatively stable feedstock costs.

February marks the beginning of margin normalization. With briquette prices declining modestly to ₹1.969/kCal-kg, the average margin fell to ₹1,952/MT.

Although this represents a meaningful correction from January's peak, the margin remains significantly above the processing benchmark. This indicates that processors continue to operate under favourable economic conditions despite the initial price correction.

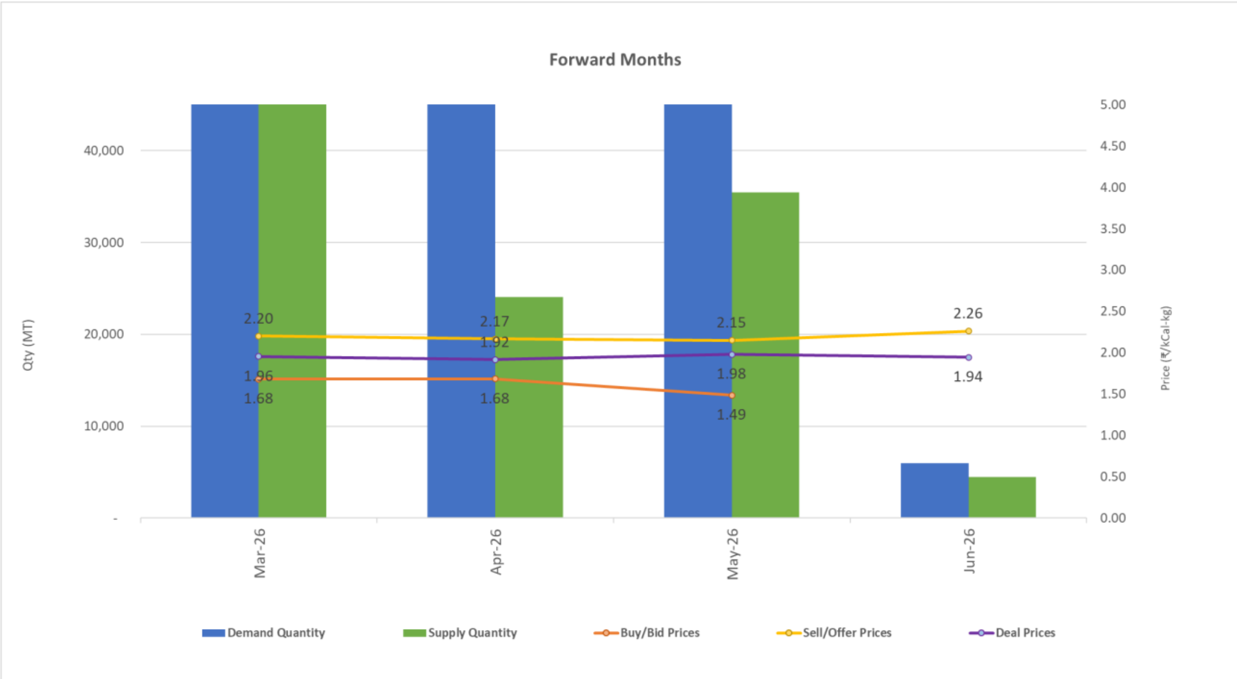
Historically, margin compression during the harvest season tends to occur gradually rather than suddenly. As raw biomass supply improves, feedstock costs may initially remain stable while finished fuel prices begin to decline, narrowing the margin over time.

The February adjustment therefore appears consistent with the early stages of the typical seasonal cycle.

Manufacturers who use this final window of fiscal year-end demand to move inventory and lock in the remaining scarcity-era pricing will be the ones best positioned as the market transitions toward the more balanced conditions expected through the second quarter of FY27.

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.



March is expected to remain firm, supported by financial year-end procurement activity. This aligns with historical patterns where buyers continue to lift material to meet annual targets, even when broader conditions begin to change . The stability in deal prices indicated for March is consistent with this short-term demand support.

Beyond March, the forward data suggests some moderation, but not a sharp correction. Demand and supply activity on the platform remain active, and importantly, the gap between buyer bids and seller offers continues to persist. This indicates that the negotiation-driven structure observed in February is expected to carry forward.

At the same time, the forward supply trend appears lower relative to demand in the coming months. This raises an important behavioural question rather than a definitive conclusion. It may indicate that sellers are becoming more selective in bringing material to the market, potentially holding back supply in anticipation of better price realization ahead.

When this is viewed alongside the Coal vs Briquette convergence, the forward outlook becomes more nuanced. As the price gap narrows and moves toward parity, the economic attractiveness of biomass improves. This creates the potential for demand to strengthen rather than weaken in the coming months.

In that context, the forward signals do not indicate a decisive shift in favour of either side. The spread between buyer bids and seller offers continues to persist across months, and deal prices are expected to remain anchored within this band. This suggests that even as conditions evolve, price movement is likely to be shaped by ongoing negotiation rather than a sharp realignment, keeping the market range-bound rather than trending strongly in one direction.

In Conclusion

The February market data indicates that the biomass briquette market is entering the early phase of its seasonal adjustment cycle.

After several months of supply tightness and strong pricing, the gradual arrival of harvest feedstock has begun to shift the demand–supply balance. The increase in platform supply, the moderation in deal prices, and the initial correction in processor margins all point toward the beginning of this transition.

However, the adjustment remains measured rather than abrupt. Financial year-end procurement activity is likely to support prices in the near term, particularly through March.

Once this temporary demand surge subsides, the continued expansion of biomass availability is expected to exert downward pressure on prices, gradually restoring the more balanced conditions typically observed during the harvest season.

For sellers, the current period represents the closing phase of the elevated pricing cycle that began during the late months of 2025. For buyers, the coming months may offer improved procurement opportunities as supply conditions continue to strengthen.

The interaction between biomass supply expansion and the coal-briquette price spread will remain the key determinant of fuel economics during the upcoming quarter.

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 you to achieve price predictability and stability.

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