

India's ethanol demand likely to reach **17.9bn litres** by FY31

18.25 bn litres of installed distillation capacity sufficient to meet demand: Report

BLENDING POLICY KEY

- Ethanol distillation capacity currently stands at 18.25 bn litres
- Capacity utilisation is at 98% of the total installed capacity
- At E20 blending, ethanol demand is estimated at 14.3 bn litres
- If blending rises to E30, demand is likely to reach 21.5 bn litres by FY31

NEW DELHI

INDIA's ethanol industry entered a phase where capacity utilisation, rather than capacity creation through 2030-31 as demand under an E25 blending scenario could reach 17.9 billion litres by FY31 in the base case, a report said on Wednesday.

The current installed distillation capacity of 18.25 billion litres is already sufficient to meet demand under the Base and Bear scenarios, the report from Brickwork Ratings said.

The base case translates into utilisation of approximately 98 per cent of the existing 18.25 billion litre capacity. If blending remains at E20, demand is estimated at 14.3 billion litres under the



bear case, implying utilisation of around 78 per cent.

If blending rises to E30, ethanol demand could reach 21.5 billion litres by FY31 under the bull case, taking requirements around 18 per cent above the current installed capacity, the report noted.

An E30 trajectory would therefore mark the point at which the sector moves from utilising existing assets to requiring fresh capacity creation.

The ratings agency expects the pace of blending policy to consequently remain the key determinant of incremental capex and sector growth.

"The demand outlook is also being reshaped by a structural shift in feedstock. Grain-based routes accounted for 72 per cent of ESY26 Cycle 1 allocations, compared with 28 per cent for sugar-based routes, reversing the 55:45 sugar-to-grain mix envisaged in the 2021 roadmap," the report noted.

Maize alone accounted for 45.7 per cent of allocations. However, grain-based distilleries have seen EBITDA margins decline from 9.2 per cent in FY21 to 6.7 per cent in FY25, highlighting feedstock-cost pressure.

"With E20 largely achieved and substantial capacity al-

ready in place, the sector's focus is expected to shift towards higher utilisation, feedstock optimisation and monetisation of existing assets," the report forecasted.

Fresh distillation capacity is likely to become more relevant if blending moves towards E30.

The report maintained a stable credit outlook for the ethanol sector, supported by government-administered offtake and pricing, achievement of the E20 blending mandate and a sanctioned base of over Rs 420 billion to the sector as of October 2025 by banks and financial institutions.