

## INDIAN SUGAR SECTOR

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**Industry awaits policy clarity;  
subdued international prices to limit  
potential to scale up sugar exports**

**MARCH 2026**

## 1 India's Sugar Export Policy



## 2 Molasses Exports



## 3 Ethanol Policy



## 4 Beyond Sugar



## 5 Conclusion





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*Sugar sector awaits policy clarity around mix of ethanol quotas between grain-based and sugarcane-based distilleries; ethanol pricing; export quotas and subsidies in case of subdued international pricing as well as alignment of the sugar MSP to reflect the cost curve. These measures not only aid in the profitability of sugar mills but also ensure balanced supply.*

*Diversifying into non-sugar segments like bioplastics can improve revenue and yield higher profit margins for the sugar mills.*



- **Export policy** – Although the Government of India has allowed sugar exports of 2.0 million MT (7% of India's net annual production) in SY\*2026, India may only be able to export limited quantity of this quota due to weak global prices. International sugar prices in SY2026 remained lower than the current cost of sugar production and the ongoing domestic prices with surplus sugar supply from Brazil, the leading producer of sugar, globally.
- **Molasses policy** – Molasses exports from India have experienced a notable decline in FY2025, due to the imposition of a 50% export duty on molasses effective January 2024 to support India's ethanol blending programme. However, in November 2025, the Government removed this export duty to address surplus sugar stocks projected for SY2026. This policy change will support molasses exports, going forward.
- **Ethanol policy** – With 20% blending cap in place, India's distillery capacity is likely to remain in surplus as installed capacity is of ~1,900 crore litres will exceed projected ethanol demand for ESY2026, which is estimated at only 1,200 crore litres. To support demand, advancing 'Beyond-E20' initiatives and shifting towards ethanol use in diesel and Sustainable Aviation Fuel (SAF) are key. Further, ethanol allocation from sugar-based feedstock is set to drop to 28% in ESY2026 from 33% in ESY2025, increasing grain-based distillery share, hence rebalancing ethanol quotas remains important for sugar mills' distilleries.
- **Key policy monitorable** – Rebalancing of ethanol quotas between grain-based and sugar-based distilleries can prevent under-utilisation and protect sugar mills' cash flows. Further, timely adjustment of ethanol in line with raw material costs can aid in maintaining distillery profitability. Adequate alignment of sugar MSP with rising cane costs, will be able to better reflect current production expenses and safeguard mill margins against price fluctuations. Additionally, export quotas and pricing strategies can ensure balanced supply.
- **Impact of policy changes** – Rebalancing of ethanol quota and timely price revision of ethanol will improve sugar mills' cash flow and profitability by generating more stable income from ethanol and will reduce export dependence amid fluctuating global prices. Further, MSP revision will help improve profitability of sugar mills by supporting selling price of sugar. Additionally, permitting exports when global prices are high and offering subsidies when prices are low will stabilise domestic inventory and prices.

Source: ICRA Research, SY: Sugar Year: (from October 01 to September 30), ESY: Ethanol Supply Year (from November 01 to October 31)



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