Fundamental Research Analysis

TANFAC INDUSTRIES LTD.

Authored by

JRK Research Team

Dec 05, 2025

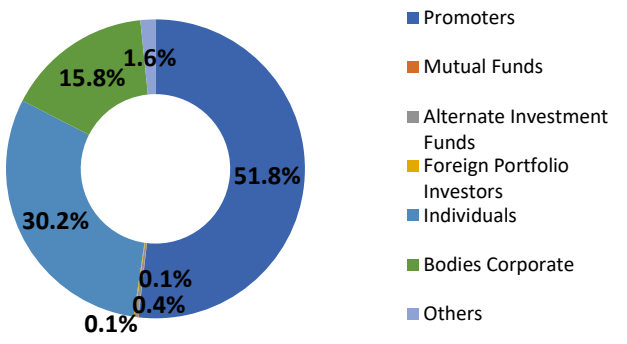
GENERAL FACTSHEET	
BSE Details	**Tanfac Industries Ltd (TANFACIND)**
Company Ticker	BSE: 506854
Market Capitalization	Rs. 4,011 crore
Current share price (Dec 04, 2025)	Rs. 3,975
52 weeks high/low	Rs. 5,064 /Rs. 2,112
P/E	42.4x (TTM)
Target Price	With the ongoing capacity expansion, debottlenecking, and a deeper push into high-margin speciality fluorides, we expect the stock to move materially hereon reaching new highs. **Target price ₹5,182** (discounting the stock to trade at PE multiple of 38X on FY2027E EPS).

Company Details	**Tanfac Industries Ltd (TANFACIND)**	
Promoter	Tamilnadu Industrial Development Corporation (Govt), Anupam Rasayan India	
Ratings Outstanding	A1+	
Year of Incorporation	1972	
Board of Directors	**Name**	**Designation**
	Mariam Pallavi Baldev (IAS)	Chairperson & Non-Executive Director
	R. Karthikeyan	Non-Executive Director
	Afzal Harunbhai Malkani	Non-Executive Director
	Dr. R. K. Tyagi	Independent Director
	Amreek Singh Sandhu	Independent Director
	Dr. M. Anuradha Reddy	Independent Director

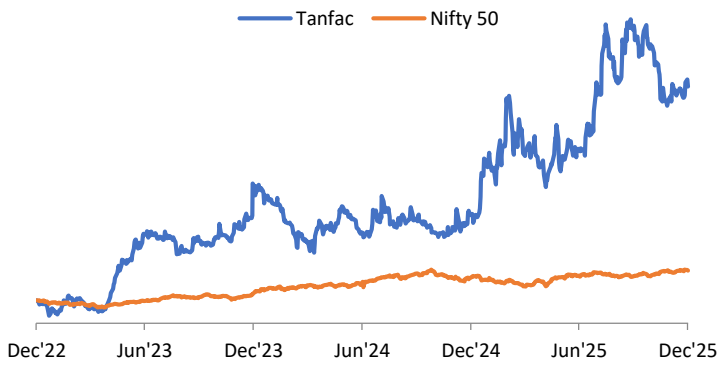
EXHIBIT 1. Current Shareholding Pattern

As on Sep 30, 2025	
Promoters	**51.81%**
PUBLIC	**48.19%**
Institutional Investors	**0.54%**
Foreign Portfolio Investors	0.12%
DIIs	0.42%
Retail Investors	**47.65%**
Individuals	30.19%
Bodies Corporate	15.84%
Others	1.62%
Total	**100%**

Source: BSE



Stock Performance vs. Nifty 50 (3Y)



Source: BSE, Nifty Indices, JRK Research

ABOUT THE COMPANY

Tanfac Industries Limited is a **leading player in India's fluorochemicals space** and has been a trusted name in the chemical industry since beginning commercial operations in 1985. It is amongst the leading producers of Hydrofluoric Acid and its derivatives. Based at the SIPCOT Industrial Estate in Cuddalore, Tamil Nadu, the Company operates an **integrated 60-acre manufacturing facility (~135,000 MT capacity)** equipped with modern technology to produce a wide range of fluorine-based chemicals. Its product portfolio includes Anhydrous Hydrofluoric Acid, Aluminium Fluoride, and multiple speciality fluorine intermediates, catering to diverse end-user industries.

The Company's strategic transformation accelerated in May 2022 after Anupam Rasayan India Limited acquired a majority stake, strengthening technical capabilities and supporting a shift from commodity chemicals toward higher-value specialty solutions. Backed by dedicated R&D capabilities, strong process expertise and longstanding relationships with domestic and international customers, Tanfac continues to focus on innovation-led growth.

INVESTMENT RATIONALE

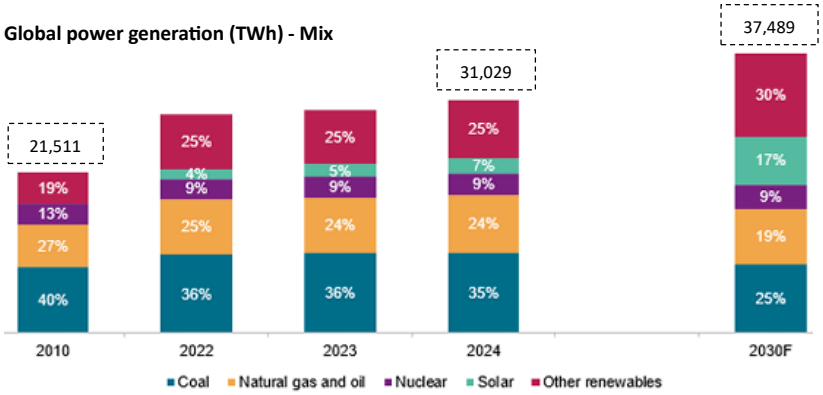
Growth in Cooling and Refrigerant Sector

India's cooling ecosystem is expanding rapidly, driven by rising HVAC penetration, cold-chain logistics, and accelerated investments in digital infrastructure and data centres. Refrigerant gases (especially HFC/HFO families) are core to these sectors, and their production requires Anhydrous Hydrofluoric Acid (AHF) as a primary feedstock. TANFAC is one of the established domestic producers of HF and has long-term operational experience, regulatory compliance and hazardous handling infrastructure — factors that **limit competitive entry**. With increasing focus on low-GWP refrigerants and environmental regulatory shifts, formulation changes will require higher-purity and specialty fluorochemicals, which align with **TANFAC's strengthening product pipeline** and capability upgrades. The company will enter the segment by H2FY27 with orders already rolling in from USA, Japan, and India. According to global consulting firms, the global refrigerant market size was estimated at $14.92 bn in 2024 and is projected to reach $19.65 bn by 2030, growing at a CAGR of 4.7% from 2025 to 2030. The company's customer profile and export markets suggest exposure to high-value refrigerant supply chains rather than commoditised downstream chemicals. As refrigerant manufacturers expand capacity to serve HVAC, AI-led data centre cooling and commercial real estate demand, TANFAC is **structurally positioned to benefit from incremental volumes** as well as premium pricing for higher-grade HF applications.

Solar Manufacturing Expansion in India

India's move from being a module assembler toward becoming a **fully backward-integrated solar ecosystem** has major implications for chemical demand patterns. Dilute Hydrofluoric Acid is an essential input for silicon wafer surface treatment and texturing in solar cell manufacturing. TANFAC already manufactures and supplies DHF and possesses the necessary safety, storage and logistics framework for serving wafer and cell manufacturing clusters. It currently has **10,000 MTPA capacity** of solar-grade HF commissioned with the plans of **doubling it** within the coming financial year. As solar manufacturing scales under national PLI schemes, the need for local suppliers for hazardous chemicals such as HF will increase, given transportation constraints and compliance requirements. The company is well positioned to benefit as the industry transitions towards deeper manufacturing stages including TOPCon and HJT cells, which rely on more complex chemical etching steps and higher specificity of chemical quality. In addition, TANFAC's evolving ability to produce specialty fluorine grades increases the probability of future product qualification for advanced PV chemistries. This provides a multi-year visibility runway linked to renewable capacity growth.

Global power generation (TWh) - Mix



Source: IEA Electricity 2025, JRK Research

Outsourcing by Pharma & Agrochemical Industry

Global adoption of fluorinated intermediates in pharmaceutical and agrochemical synthesis continues to increase, driven by higher molecular efficiency and performance characteristics. TANFAC is already active in this segment through BF_3 complexes and potassium fluorides, supplying both domestic and export markets such as Japan, South Korea and the United States. The company benefits from being one of the few compliant Indian producers capable of safely handling corrosive and hazardous fluorine chemistries — an attribute **increasingly valued by global innovators seeking "China+1" sourcing**. With long customer qualification cycles and high switching barriers, contracts in pharma and agrochemicals tend to be sticky, providing TANFAC an opportunity to move up the value curve from industrial intermediates toward higher-margin specialty fluorine derivatives. As multinational and domestic manufacturers expand outsourcing of complex fluorination steps due to cost and regulatory pressures, the company is well aligned to capture incremental demand and expand share in high-purity, regulated-grade chemical supply chains.

Electronics & Semiconductor Buildout

The scale-up of India's semiconductor and advanced electronic component manufacturing ecosystem presents a long-horizon catalyst for the fluorochemical industry. HF and specialty fluorine salts are used extensively in wafer cleaning, etching and capacitor-grade electronic materials. While current industry demand is nascent, TANFAC already produces industrial and high-purity variants of HF and potassium fluoride salts that are relevant to future semiconductor application pathways. With its track record supplying export markets that require consistent quality and adherence to stringent compliance protocols, the company is well placed to participate in qualification cycles as domestic fabs become operational. The semiconductor opportunity is less immediately volume-driven and more dependent on TANFAC's ability to upgrade purity grades, build audit pedigrees, and secure long-term offtake contracts. However, should early validation succeed, the opportunity offers recurring and premium-priced demand that could meaningfully shift product mix and improve value realisation over time.

Aluminium Smelting & Lightweight Mobility Demand

Aluminium fluoride, a major product line for TANFAC, is critical for the electrolytic smelting of aluminium metal. The company supplies this product to domestic as well as export markets, providing a stable and recurring revenue base. With the increasing role of aluminium in EV platforms, aerospace structures, and beverage packaging, demand growth is expected to be steady over the medium term. TANFAC's scale, existing client relationships and established reputation supply-side stability in a product category that is otherwise more commodity-linked. While pricing in this segment is influenced by broader aluminium market dynamics, TANFAC's diversified product basket and evolving speciality exposure help offset pure cyclicality. Continued aluminium capacity additions in India and the Middle East, along with growth in EV lightweighting, support long-term volume visibility for aluminium fluoride, reinforcing the company's relevance as a strategic supplier in the metals ecosystem.

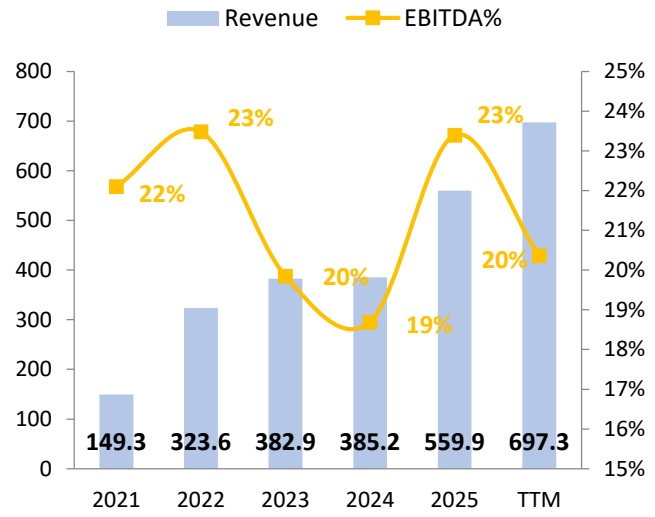
Metal Treatment & Specialty Steel Capacity Growth

Dilute HF is an essential chemical for stainless steel descaling, pickling and precision surface treatment. TANFAC is a meaningful supplier in this segment, leveraging its operational expertise, safety compliance and established domestic distribution. As India expands specialty steel capacity under government steel sector policies and demand rises from sectors such as defence, automotive components and aerospace engineering, HF consumption is projected to increase. TANFAC's proximity to industrial clusters and hazardous material handling capabilities provide an advantage in a product category where logistics and safety costs are material factors. While this catalyst is industrial rather than high-growth, it provides consistent recurring demand and contributes to revenue stability. Over time, as domestic steel manufacturing transitions to higher-value metallurgical segments, the demand for controlled-purity and high-reliability chemical inputs may create scope for improved realisation and customer stickiness for TANFAC.

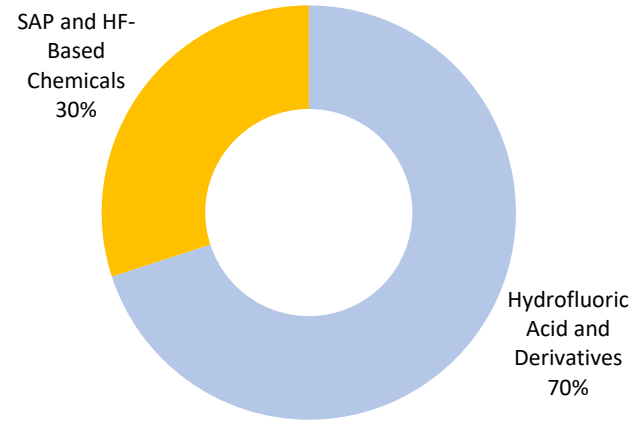
Strong financial metrics

Tanfac's financial metrics have been rock solid with strong cashflow generation. On an average for the last five years, the company has converted 60% of its operating profit into actual cashflow from operations. Tanfac's Revenue/EBITDA/PAT grew at a CAGR of 28%/37%/39% for the last five years. The company earns strong ROCE of 42% by virtue of its integrated manufacturing setup, high asset turnover, and an improving product mix that is steadily moving toward higher-value fluorine derivatives. The company's current ratio of 2.29 also signals comfortable short-term liquidity and practically no debt despite heavy capex. Taken together these numbers show Tanfac is not only profitable, but financially resilient.

Company Annual Financials



Revenue Mix – FY25



Source: Company Financials, JRK Research

Latest Updates

Tanfac delivered a steady operational performance in Q2 FY26, with healthy revenue traction driven by improved HF volumes, though profitability was temporarily impacted by commissioning-related downtime and slightly subdued utilisation. While EBITDA and PAT saw moderation versus last year due to one-off operating expenses, the underlying business momentum remains intact, supported by firm demand from end-industries such as solar, refrigerants, pharma and agrochemicals. The commissioning of new HF and solar-grade DHF capacities marks an important strategic milestone and is expected to gradually reflect in stronger margins and earnings from H2 onward. Overall, the quarter reflects a transition phase rather than a structural slowdown, with a positive earnings trajectory ahead as utilisation improves.

- **Revenue momentum strong:** Q2 FY26 revenue at **₹169.31 crore (+51% YoY)**, supported by higher HF volumes and improved plant availability.
- **Margins temporarily impacted:** EBITDA at **₹27.49 crore** with **16.2% margin**, affected by commissioning-related downtime and maintenance activity.
- **Profit softer YoY:** PAT at **₹17.18 crore**, lower due to higher operating costs during ramp-up phase.
- **Growth drivers intact:** Demand visibility firm across **solar, refrigerants, pharma, agrochemicals and metals**.
- **Financial strength remains a comfort:** Low leverage and strong cash generation support expansion without balance-sheet strain.
- **HF Facility Commissioning:** Tanfac commissioned India's first of its kind 10,000 TPA solar-grade dilute hydrofluoric acid facility in June 2025, establishing the company as a key supplier to the clean energy ecosystem. The same is aimed to be doubled within the next financial year.
- **Contract Win:** Tanfac signed a contract with Kredence Electronics for supply of Solar-grade diluted Hydrofluoric Acid, spanning 3.5 years (FY29) with an estimated value of ₹732 Cr (excluding GST).
- **Refrigerant gases expansion underway:** Signed long-term supply contracts across the US, Japan and India with an annual revenue potential of ~₹750 crore; ₹370 crore capex to be funded via internal accruals and equity, with production expected from H2 FY27.
- **Watch for H2 utilisation uptick:** Margin expansion expected once new capacities stabilise and specialty mix improves.

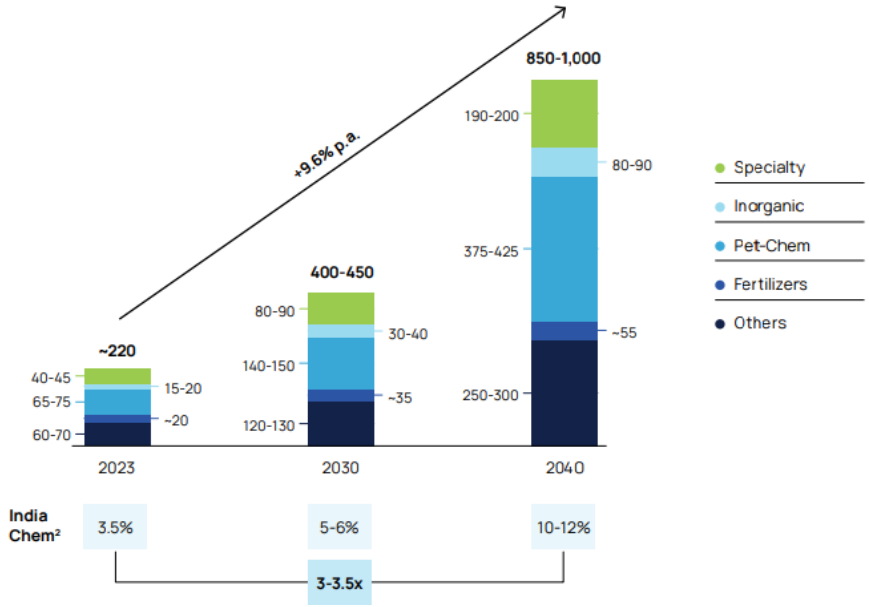
Industry Outlook

India's Rising Chemical Consumption and Domestic Substitution Opportunity

India is transitioning from being a net importer of chemicals to a structurally growing domestic consumption market driven by manufacturing expansion, population scale, industrialization and policy alignment toward self-reliance in strategic sectors. The overall size of **India's chemicals sector** was estimated to be around ₹ 21,50,750 crore **(≈$250 bn) in 2024**. The sector is projected to grow to **$300 bn by 2028** and — under a long-term outlook — to about **$1 tn by 2040**. Demand growth across pharmaceuticals, agrochemicals, speciality chemicals, electronics, metal processing and clean-energy value chains is outpacing global growth rates, creating an environment where local production capacity and indigenous sourcing are becoming increasingly important. Hazardous and high-compliance chemical classes—such as fluorochemicals—have historically been import dependent due to complex regulation, logistics challenges and limited domestic manufacturing capabilities. This shift presents a meaningful

opportunity for TANFAC, given its existing position as one of the established domestic producers of fluorine-based chemicals with decades of operational history, regulatory compliance, and export-validated manufacturing processes. As India prioritizes backward integration, import replacement and localisation of critical raw materials across high-growth industries such as solar, refrigeration, metals, and speciality chemicals, TANFAC is well positioned to expand its share by capturing incremental domestic demand. As per a recent industry/strategy analysis, **nearly 70% of India's chemical production is consumed domestically** — indicating that a large portion of output is used within India rather than exported. The company's ongoing movement toward higher-purity, specialised product categories further aligns with India's transition to advanced manufacturing clusters, which require reliable domestic supply partners rather than global sourcing. Over the medium term, the structural growth in India's chemicals demand forms a foundational macro catalyst that supports sustained volume growth, product mix improvement, and enhanced pricing resilience for TANFAC.

Indian chemicals market consumption ($ bn)



Source: Annual Report FY2025, Niti Ayog

CHALLENGES

Execution & Monetisation of Expansion Projects: With the refrigerant gas foray (₹370 crore project) and newly commissioned HF/DHF lines, the key challenge now is smooth scale-up, customer onboarding and achieving commercially meaningful utilisation. Revenue visibility exists via signed contracts, but actual monetisation will be back-ended and dependent on qualification timelines and operational stability—making FY27–FY28 the critical inflection period.

Customer Qualification Cycles in Specialty Chemicals: As Tanfac moves deeper into higher-value segments like solar-grade DHF, electronics, pharma and global export contracts, customer validation cycles tend to be long and technically demanding. Any delays in qualification, especially for high-purity or semiconductor-adjacent grades, could defer expected margin expansion and lengthen the return curve on recent capex.

Raw Material Cost Sensitivity (Fluorspar, Energy, Sulphur-based Inputs): The business remains partly exposed to volatility in key raw materials, especially imported fluorspar. While scale and domestic manufacturing capability offer some insulation, sharp movements in input costs or logistical disruptions could impact near-term margin consistency until full specialty scale-up cushions cyclicality.

Margin Transition Risk During Mix Shift: The company is in a transition phase—from a commodity-heavy portfolio to a specialty and contract-driven model. During this mix evolution, volatility in quarterly EBITDA margins is likely until the refrigerant business and specialty exports contribute meaningfully and utilisation of the new assets stabilise.

PEER COMPARISON

BSE Details	Gujarat Fluorochemicals Ltd	Navin Fluorine International Ltd	Tanfac Industries Ltd
Company Ticker	FLUOROCHEM	NAVINFLUOR	TANFACIND
Market Cap	₹37,239 Cr	₹29,475 Cr	₹3,988 Cr
Share price (4 Dec'25)	₹3,348.5	₹5,765.00	₹3,975.75
52 weeks high/low	₹4,535 / ₹3,100	₹6,169 / ₹3,180	₹5,064 / ₹2,112
EPS TTM	₹61.9	₹88.59	₹94.31
P/E Ratio	54.7x	66.5x	42.4x
Market Cap/Sales	7.7x	10.6x	5.7x
Price/Book Value	4.9x	8.2x	11.8x

Source: Screener

Please Note: The competitors listed above are not a 100% substitute companies but operate in similar product lines and industry.

KEY FINANCIALS

	Reported Financials			Estimated Financials (November 2025)	
In Rs. Crore	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
Revenue & Profitability Indicators					
Operating Income (OI)	375	378	557	724	956
Growth in OI (%)	18%	1%	47%	30%	32%
OPBDITA	75	72	128	166	227
Profit After Tax (PAT)	56	53	88	104	136
OPBDITA/OI (%)	20%	19%	23%	23%	24%
PAT/OI (%)	15%	14%	16%	14%	14%
ROCE (%)	48%	33%	42%	44%	35%
EPS	56.5	53.6	87.8	104.2	136.4
Capitalisation & Coverage Indicators					
Short-term Debt	-	-	41	55	60
Long-term Debt	-	-	-	-	-
Total Debt	-	-	41	55	60
Cash and Cash Equivalents	4	7	30	24	38
Net Debt	-4	-7	11	31	22
Tangible Net Worth (TNW)	184	230	312	532	824
Working Capital Indicators					
Debtor Days	49	59	65	60	66
Creditor Days	74	75	46	40	30
Inventory Days	84	97	107	126	141

Source: JRK Research

VALUATION

Tanfac Industries operates as one of India's established fluorochemicals manufacturers with leadership in several speciality fluoride-based products used across pharma, refrigerants, aluminium, and electronics. The company benefits from operating in niche, highly technical chemistries with significant entry barriers stemming from process expertise, long customer qualification cycles, and stringent environmental norms. Its integrated facility and diversified product basket position it well to capture the rising domestic demand for fluorine derivatives, a space that remains structurally underpenetrated in India.

Tanfac has sharpened its focus on value-added products, process efficiencies, and long-term supply agreements with global customers, which together improve earnings visibility. Ongoing capacity expansion, debottlenecking, and a deeper push into high-margin speciality fluorides serve as key price-growth catalysts, supported by improving demand in downstream industries like EVs, agrochemicals, and pharmaceuticals. Additionally, the company's entry into the refrigerant gas segment and benefits from China+1 sourcing are expected to lift realisations over the medium term.

With strong promoter backing, a healthier balance sheet, and consistent investments in technology and environmental compliance, Tanfac remains well positioned for sustained growth as domestic and export demand for advanced fluorochemicals continues to rise. The company's stock price has corrected and is currently trading at 29.1x FY27EPS. Recommend 'BUY" at these levels for a target of 38x FY27EPS Rs 5,182 (Upside – 30%+) in the long term.

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Live Chart

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