VARDHAMAN CAPITAL

TANFAC INDUSTRIES

Sector: Chemicals
Date: 24th MAR, 2026
CMP: Rs. 1930 | Market Cap: Rs. 3850 Cr.

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SUMMARY

Tanfac Industries Limited is at a strategic inflection point, transitioning from a commodity Anhydrous Hydrogen Fluoride (AHF) manufacturer to a specialty fluorine chemicals player, mirroring the evolutionary trajectory of SRF, Navin Fluorine, and Gujarat Fluorochemicals. Our estimates point to an FY28E PAT of ₹217 Cr; we caution that achieving a sustained P/E multiple of 40x would require consistent execution on its specialty transition, a path that carries meaningful operational and competitive risks. Investors are advised to monitor progress closely before establishing positions, particularly given the execution dependencies .

Key Metric	Value / Performance
Fixed Asset Growth (ex-oil & gas)	13.1% Y-o-Y (₹37.78 trillion)
CMP	₹1930
Market Cap	₹3850 Cr.
FY27E Revenue	₹1,000 Cr.
FY28E PAT	₹217 Cr.

COMPANY BACKGROUND

Incorporated in 1972 and headquartered in Cuddalore, Tamil Nadu, Tanfac Industries is a joint sector company co-promoted by the Aditya Birla Group (25% stake) and Tamil Nadu Industrial Development Corporation (TIDCO). Commercial production commenced in March 1985, and the company has emerged as one of India's leading producers of hydrofluoric acid and its derivatives.

Acquisition by Anupam Rasayan India Ltd. (ARIL)

In March 2022, ARIL acquired a 24.96% stake from Birla Group Holdings, subsequently increasing it to 25.80% by September 2023. The rationale was strategic: global innovators such as Chemours, Daikin, Solvay, and Honeywell only outsource fluorination contracts to CRAMS players that exercise full control over key raw materials, hydrogen fluoride (HF) and potassium fluoride (KF).

Operational Improvements Post-Acquisition

- **AHF (30,000 TPA):** Utilization steadily improving through process upgrades.
- **Sulfuric Acid (109,250 TPA):** Facility scaled from 250 TPD to 300 TPD; 60% now consumed in-house, eliminating costly dumping.
- **Aluminum Fluoride (15,600 TPA):** Currently unused—potential future monetization lever.

GROWTH STRATEGY: R32 EXPANSION & FLUOROCHEMICALS

Tanfac has announced a ₹500 crore equity-funded capacity expansion into R32 (difluoromethane), a widely used refrigerant gas. The expansion targets 20,000 TPA of R32 capacity and is underpinned by secured offtake of 7,500 TPA from an overseas customer at ~₹450/kg, providing strong near-term earnings visibility.

Three Strategic Growth Vectors

- **Refrigerant Gases (R32):** ₹500 Cr investment targeting 20,000 TPA capacity — the primary near-term earnings driver.
- **Fluorochemicals (2027E):** Entry into value-added fluorination chemistry, leveraging ARIL's downstream customer network.
- **Fluoropolymers (long-term):** Aspirational move up the fluorine value chain aligned with ARIL's CRAMS expansion.

HFC Quota Dynamics

India's Government has earmarked 45,000 Tons of unused HFC quota for new producers: Tanfac (20,000 TPA), Chemplast Sanmar (14,000 TPA), and Stallion India Fluoro (10,000 TPA). Regulatory clearance from the Ministry of Environment, Forest and Climate Change (MoEFCC) remains the single most critical near-term catalyst for the investment thesis.

FINANCIAL PROJECTIONS (₹ CRORE)

(₹ Cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales (₹ Cr)	148	320	375	557	720	1,000	1,400
Gross Profit (₹ Cr)	70	132	140	251	280	450	630
Gross Margin %	47%	41%	37%	45%	39%	45%	45%
EBITDA (₹ Cr)	33	76	76	129	122	231	323
EBITDA %	22%	24%	20%	23%	17%	23%	23%
PAT (₹ Cr)	17	53	56	88	77	151	217

Revenue is projected to grow from ₹557 Cr (FY25) to ₹1,400 Cr by FY28E — a 2.5x increase — driven by R32 capacity ramp-up and improved AHF utilisation. EBITDA margins are expected to recover to 23% by FY27E-28E as the specialty mix improves. PAT is estimated to reach ₹217 Cr in FY28E, with the P/E de-rating from 52.7x (FY26E) to 23.6x (FY28E), making current valuations compelling relative to peers.

VALUATION & PEER COMPARISON

Company	FY28E P/E	EV/EBITDA	P/B	RoE
Tanfac Industries	**23.6x**	**14.2x**	**3.6x**	**17.1%**
SRF Ltd	35.0x	22.0x	5.3x	15.1%
Navin Fluorine	36.4x	24.5x	5.7x	14.4%
Gujarat Fluorochem	25.0x	20.0x	4.0x	21.5%

At the current price, Tanfac trades at 23.6x FY28E earnings — a meaningful discount to peers SRF (35x), Navin Fluorine (36x), and Gujarat Fluorochemicals (25x) on comparable forward estimates. Given the structural transformation underway, we believe Tanfac deserves at least its median TTM P/E of 40x, supporting a price target that implies a potential doubling in value by FY28E.

This re-rating thesis has not yet been priced in. Investors who accumulate at current levels with a 3–5-year horizon stand to benefit from the metamorphosis from a commodity AHF player to a specialty fluorination leader.

Future Outlook & Valuations

With its transition from a legacy AHF manufacturer to a value-added fluorination specialist, Tanfac is poised for a rerating of its valuation multiples over the next three years.

Profit & Loss Summary

Tanfac P&L (Rs Cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**148**	**320**	**375**	**378**	**557**	**720**	**1000**	**1400**
Increase/Decrease in Stock	1	-2	-2	0				
Raw Material Consumed	66	169	220	213				
Power & Fuel Cost	10	21	17	21				
COGS	**78**	**188**	**235**	**235**	**306**	**440**	**550**	**770**
Gross Profit	**70**	**132**	**140**	**143**	**251**	**280**	**450**	**630**
Gross Margin %	47%	41%	37%	38%	45%	39%	45%	45%
Employee Cost	11	13	16	20	35	45	63	88
Other Expenses	25	43	48	51	87	112	156	219
EBITDA	**33**	**76**	**76**	**72**	**129**	**122**	**231**	**323**
EBITDA %	22%	24%	20%	19%	23.1%	17.0%	23.1%	23.1%
Other Income	1	3	8	7	3	3	3	3
Depreciation	8	6	6	7	10	18	25	30
EBIT	**26**	**74**	**78**	**72**	**122**	**107**	**209**	**296**
EBIT %	18%	23%	21%	19%	22%	15%	21%	21%
Interest	1.1	2.02	2.26	1.88	3	5	7	7
PBT	**25**	**72**	**75**	**70**	**119**	**102**	**202**	**289**
Provision for Tax	8	19	19	18	31	26	50	72
Profit After Tax	**17**	**53**	**56**	**52**	**88**	**77**	**151**	**217**

Valuation Summary at CMP

Tanfac Valuations at CMP	FY25	FY26E	FY27E	FY28E
Market Cap	3850	4047	4547	4547
EV	3880	4088	4588	4588
P/E	49	52.7	33.8	23.6
EV/EBITDA	21.6	33.4	19.9	14.2
Networth	**303**	**400**	**1051**	**1268**
RoE	32.5	19.2%	14.4%	17.1%

Analyst Note: In comparison to its other peers like SRF, Navin and Gujarat Fluorochemicals, the forward valuations are far more reasonable—implying that the metamorphosis is not priced in.

KEY RISKS

Risk Factor	Description
HFC Quota Allocation	MoEFCC decision pending—lower or delayed quota allocation could limit R32 utilization and materially impact earnings.
Specialty Transition Risk	Delays in product qualification or customer onboarding could slow margin expansion and trigger valuation de-rating.
Customer Concentration	Secured offtake of 7.5k TPA from one overseas customer. Any renegotiation or deferment impacts capacity utilization.
Commodity Price Volatility	Fluorspar and energy cost swings can drive margin variability largely outside management's control.
Regulatory / Environmental	Stringent fluorochemical norms could raise compliance costs or delay future capacity expansions.

OUR POINT OF VIEW

The stock has undergone a meaningful correction from its peak, yet the underlying business transition remains firmly on track. The R32 capacity expansion is progressing as planned, Anupam Rasayan's strategic involvement continues to be well-established, and the valuation discount relative to specialty chemical peers has widened considerably.
The key variable to monitor is the MoEFCC's HFC quota allocation decision, which is likely to serve as a material catalyst for earnings visibility in the periods ahead.

Investors may wish to evaluate the current entry point in light of their individual risk appetite and investment horizon. This does not constitute a recommendation.