TANF: Forward Integration Expectation to Drive Growth

July 27, 2026 | CMP: INR 2,600 | Target Price: INR 3,750

BUY

Expected Share Price Return: 44.2% I Dividend Yield: 0.2% I Potential Upside: 44.4%

Sector View: Positive

Change in Estimates	✗
Target Price Change	✗
Recommendation	✗

Company Info	
BB Code	TANF
Face Value (INR)	5.0
52-w High/Low (INR)	2,760 / 1,633
Mkt Cap (INR Bn / USD Bn)	55.3 / 0.58
Shares o/s (Mn)	21.2
3M Avg. Daily Volume	20,258

Change in Estimates

	FY27E			FY28E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	9.3	9.3	(0.3)	16.0	16.0	0.0
EBITDA	1.7	1.7	(0.1)	3.7	3.7	0.0
EBITDAM%	18.0	17.9	4 bps	22.9	22.9	0 bps
PAT	1.0	1.0	0.1	2.3	2.3	0.0
Adj. EPS	46.3	46.3	0.1	106.1	106.1	0.0

Key Financials

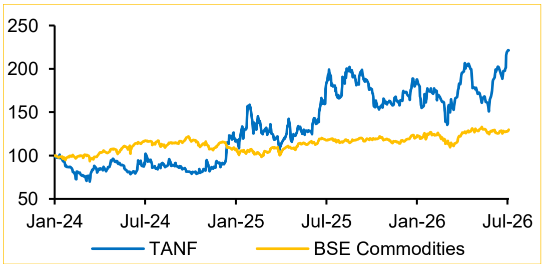
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,570	7,111	9,255	16,020	19,235
YoY (%)	47.3	27.7	30.2	73.1	20.1
EBITDA	1,289	1,121	1,664	3,672	3,973
EBITDAM %	23.1	15.8	18.0	22.9	20.7
PAT	881	702	1,002	2,296	2,486
Adj. EPS (INR)	40.7	32.4	46.3	106.1	114.9
ROE %	32.5	20.5	16.9	25.1	22.1
ROCE %	40.6	23.1	19.2	28.6	25.9
PE (x)	35.6	57.8	56.2	24.5	22.6
EV/EBITDA (x)	24.4	36.7	34.2	15.5	14.3

Shareholding Pattern (%)

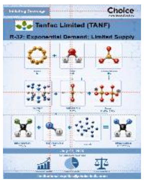
	Dec-25	Mar-26	Jun-26
Promoters	51.8	51.8	48.7
FII	0.1	0.0	1.5
DII	0.4	0.3	4.2
Public	47.7	47.8	45.6

Relative Performance (%)

	1Y	2Y	3Y
BSE Commodities	9.4%	11.0%	53.4%
TANF	17.5%	150.6%	206.0%



TANF Coverage Initiation



Click Here to Read Initiating Coverage Report

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Near-term Cost Pressure Managed; Growth Fundamentals Strong

TANFAC's **revenue declined 3.1% QoQ**, primarily due to disruption arising from the geopolitical situation in **West Asia**. **Elevated fluorspar, fuel and power cost** also weighed on profitability, with **gross margin contracting 127 bps QoQ**. However, we expect the margin to improve as higher **input cost is passed through**. While near-term external headwinds persist, we believe the company's **expanding fluorochemical portfolio**, **ongoing capacity addition** and **long-term supply agreements** are anticipated to support sustained earnings growth over the medium-term.

View and Valuation

We believe **TANF is well-positioned to capitalise on strong demand tailwinds in fluorochemicals**, supported by a healthy revenue visibility, with 65% of its upcoming R-32 capacity already contracted and the potential for over **500 bps margin expansion**, given R-32 realisations are nearly **2x those of existing products**. This is expected to drive **Revenue / EBITDA / PAT CAGRs** of **39.3% / 52.5% / 52.4%** over FY26–FY29E, respectively. Based on our DCF valuation, we maintain our **'BUY' rating** and a **target price of INR 3,750**. This TP implies a **P/E multiple of 35.3x on FY28E EPS** and a **PEG ratio of 0.67x**, based on an **EPS CAGR of 52.4% over FY26–FY29E**.

Key Risks to our Valuation

Raw material import dependence, feedstock price volatility, HF demand cyclicality, environmental and safety risk, customer and segment concentration and non-allocation of production quota.

Steady Execution despite Temporary Cost Headwinds

- Revenue declined 3.1% QoQ to INR 1.9 Bn, primarily due to disruption arising from West Asia situation
- Gross profit stood at INR 523 Mn, while gross margin declines 127 bps QoQ to 27.9%
- EBITDA stood at INR 286 Mn, with margin contracting marginally by 45 bps QoQ to 15.3%, demonstrating resilience amid external cost pressure
- PAT declined 13.0% YoY to INR 168 Mn, with PAT margin at 9.0%, down 34 bps QoQ

R-32 Project Underpins Next Phase of Growth

The proposed **20,000-MTPA R-32 refrigerant gas project**, scheduled for commissioning by **Q3FY27E**, is forecast to drive TANFAC's next phase of growth by strengthening downstream integration and expanding its presence in the refrigerant gas market. The successful **INR 2.5 Bn QIP**, along with the proposed **INR 1.0 Bn promoter-led preferential issue**, provides funding visibility for the project and strengthens execution comfort. **Next-generation fluorochemicals** and other **value-added fluorinated products projected to drive growth post R-32 scale-up**.

TANF (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Available Capacity ('000 MTPA)	135	135	-	135	-
Revenue	1,872	1,760	6.4%	1,931	(3.1%)
COGS	1,349	1,216		1,367	
Gross Profit	523	544	(3.9%)	564	(7.3%)
Operating Exp.	237	254		260	
EBITDA	286	290	(1.4%)	303	(5.8%)
EBITDAM %	15.3%	16.5%	(119 bps)	15.7%	(45 bps)
PAT	168	194	(13.0%)	180	(6.6%)
PAT Margin %	9.0%	11.0%	(200 bps)	9.3%	(34 bps)
Adj. EPS (INR)	7.79	8.95	(13.0%)	8.34	(6.6%)

Source: TANF, Choice Institutional Equities

Management Commentary

Financial Performance

Q1FY27 Margin pressure is expected to be temporary, as raw material increases are passed through with a 30–45-day lag

- Q1FY27 EBITDA margin impacted by elevated fluorspar, fuel and power cost.
- Margin pressure is expected to be temporary, as raw material increases are passed through with a **30–45-day lag**.

Solar Grade DHF & AHF

Around 80–85% of Solar Grade DHF capacity is covered under long-term volume commitments through FY29E

- Solar Grade DHF plant is operating at full capacity, supported by strong demand from India's expanding solar manufacturing ecosystem.
- Around **80–85% of Solar Grade DHF capacity** is secured under long-term contracts through **FY29E**, providing strong revenue visibility.
- Higher fluorspar and sulphur cost are largely passed through, while AHF realisations are anticipated to remain stable over the next **4–6 months**.
- Fluorspar availability remains comfortable, with diversified sourcing across South Africa, Vietnam and Thailand.

Refrigerant Gas Project

R-32 capacity utilisation is targeted at 65–70% in Q4FY27E, 80–85% in FY28E, with potential to exceed 90% thereafter

- **~INR-4.0 Bn R-32 project** remains on track for commissioning by Q3FY27E.
- Around **65% of capacity** has already been tied up under **5–7-year contracts**, significantly reducing demand and pricing risk.
- Utilisation is targeted at **65–70% in Q4FY27E**, **80–85% in FY28E**, with potential to cross 90% thereafter.
- The project is expected to deliver ~**30% EBITDA margin**.

Product Development, R&D & Capital Allocation

Total capex of INR 15.0–17.0 Bn is planned over the next four years

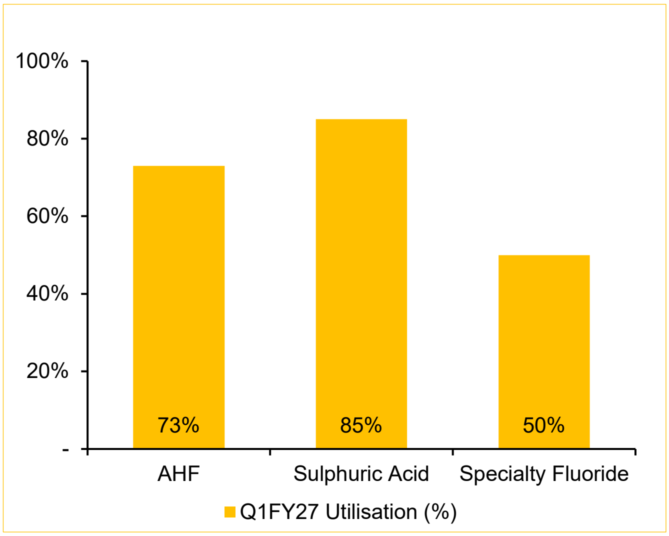
- Product planned over the next four years across Solar Grade DHF, AHF, electronic-grade chemicals, HFOs and fluoropolymers.
- Long-term capex guidance of ~**INR 15-17 Bn** after competition of current projects over the next 4–5 years, including:
    - Solar Grade DHF: **INR 300–400 Mn**
    - AHF expansion: **INR 1.2 Bn**
    - Electronic-grade chemicals: **INR 1.5 Bn**
- R&D CapEx over the last 1.5 years amounted to **INR 70-80 Mn**
- The company remains **debt free**, providing ample flexibility to fund future expansion.

Growth Outlook

Management targets blended EBITDA margins of 21–22% in FY27E and ~25% in FY28E, supported by a higher share of contract-based, value-added products

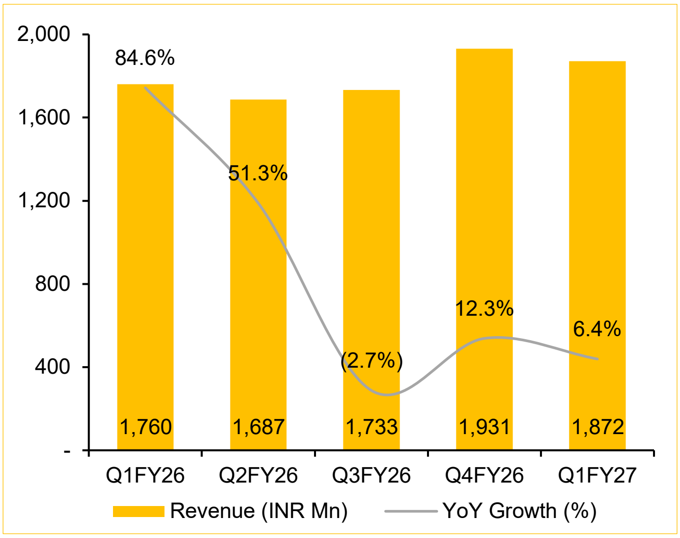
- Management guided for revenue growth of at least **30% in FY27E** and over **60% in FY28E**.
- Management guided for 16–19% EBITDA margin from Q2FY27E onwards with **full-year FY27E guidance of 21–22%**, further expanding to ~**25% in FY28E**.
- Near-term growth will be led by the R-32 ramp-up, Solar Grade DHF expansion and new electronic-grade applications.
- Longer-term growth will be driven by HFOs and high-performance fluoropolymers, supporting TANFAC's transition towards higher-value, technology-led fluorochemicals.

Q1FY27 Blended Capacity Utilisation Stood at ~73%



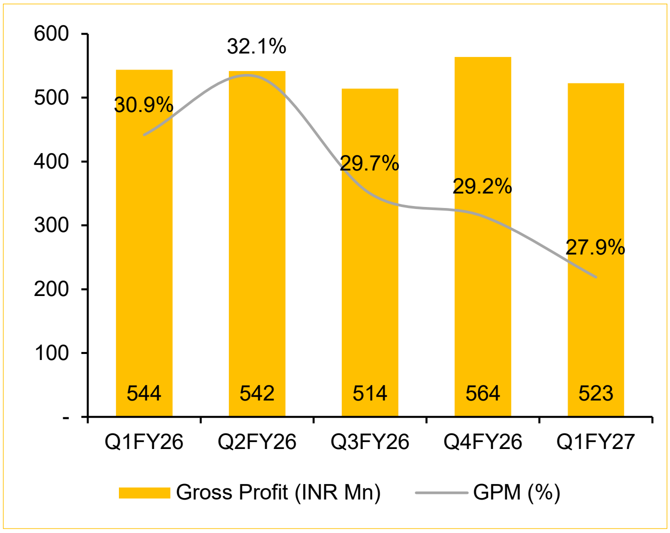
Source: TANF, Choice Institutional Equities

Geopolitical Disruption led to 3.1% QoQ Decline in Revenue



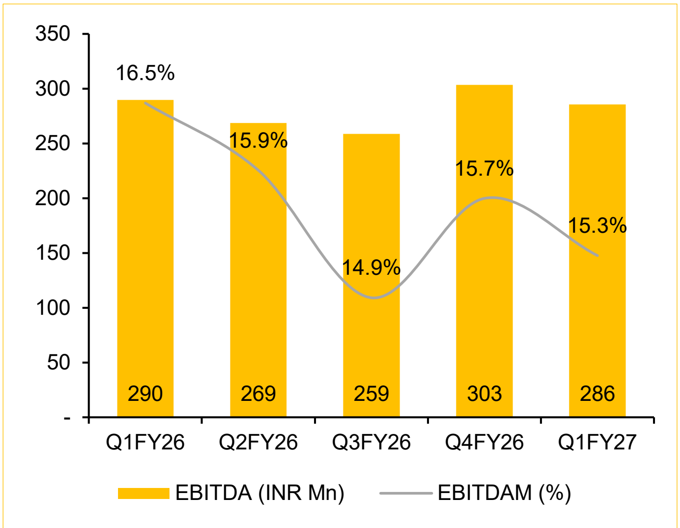
Source: TANF, Choice Institutional Equities

Gross Margin dips 127 bps QoQ as Price Pass-through Lags



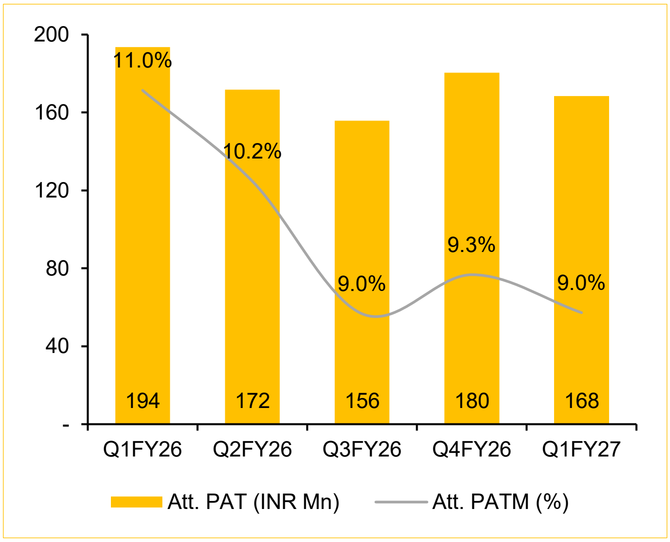
Source: TANF, Choice Institutional Equities

EBITDA Margin Contracts only 45 bps, Driven by Cost Control



Source: TANF, Choice Institutional Equities

PAT Margin dips 34 bps QoQ, Affected by Lower Operating Profit

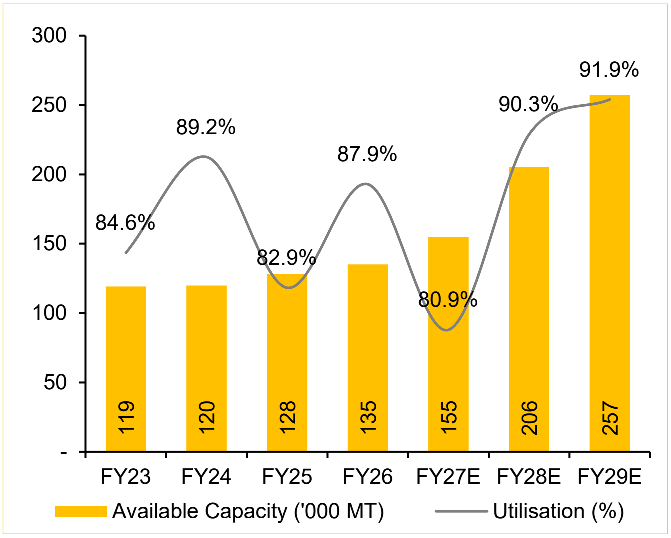


Source: TANF, Choice Institutional Equities

1-year Forward PE Chart

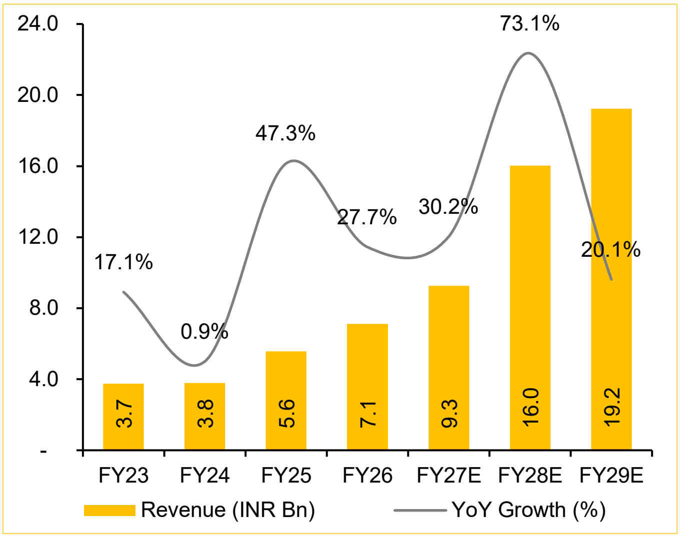
Source: TANF, Choice Institutional Equities

Capacity Utilisation Expected to Dip in FY27E due to Capacity Expansion



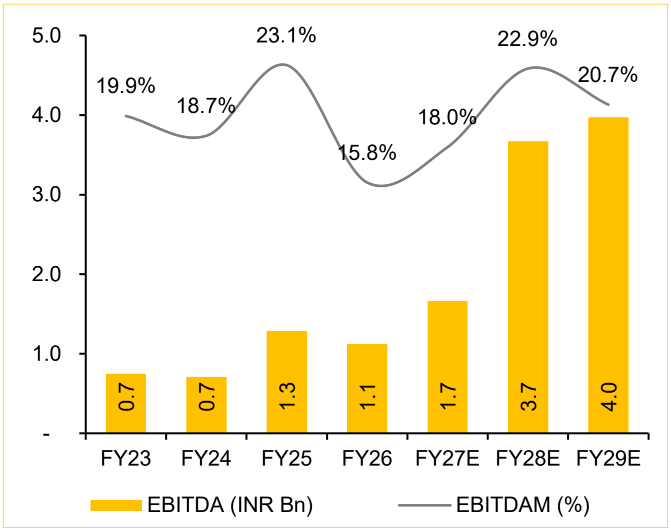
Source: TANF, Choice Institutional Equities

Revenue Growth Supported by Higher Blended Estimated Realisation from Solar DHF and R-32



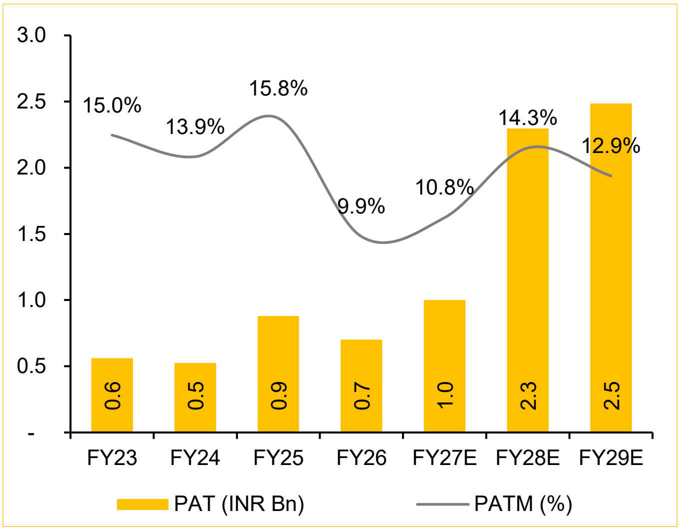
Source: TANF, Choice Institutional Equities

EBITDA Margin Strengthens as Mix Shifts Towards R-32



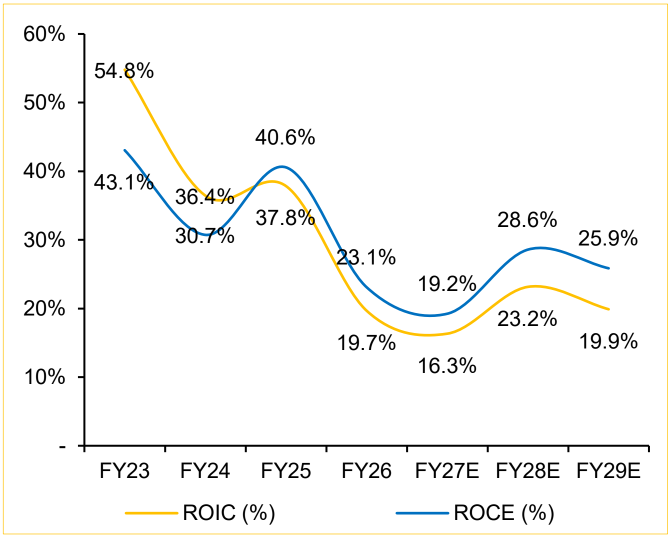
Source: TANF, Choice Institutional Equities

PAT Margin Expands on Marginal Debt Funding



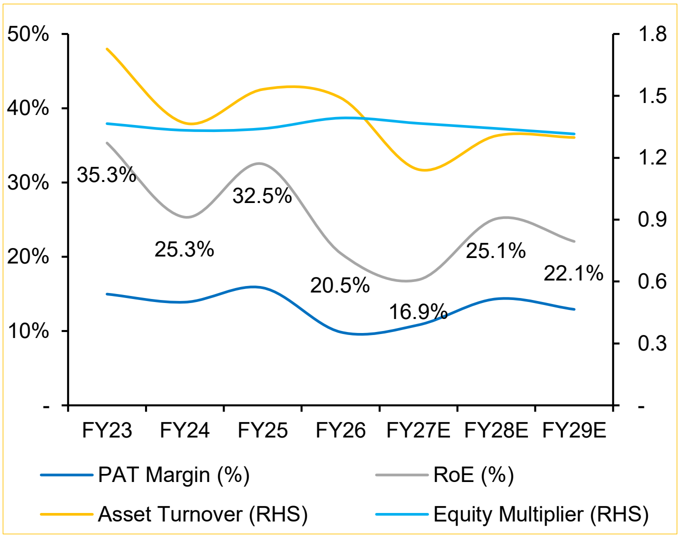
Source: TANF, Choice Institutional Equities

Return Ratios Likely to Improve after Dip in FY27E



Source: TANF, Choice Institutional Equities

Margin Expansion Expected to Improve ROE



Source: TANF, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Net Revenue	5,570	7,111	9,255	16,020	19,235
COGS	3,436	4,948	6,250	10,922	13,724
Gross Profit	2,134	2,163	3,005	5,098	5,512
Operating Expenses	846	1,042	1,340	1,426	1,539
EBITDA	1,289	1,121	1,664	3,672	3,973
Depreciation	105	175	240	481	536
EBIT	1,184	946	1,424	3,191	3,437
Other Income	30	24	33	53	64
Interest Expense	26	43	103	142	142
PBT	1,188	927	1,354	3,103	3,359
PAT	881	702	1,002	2,296	2,486
EPS (INR)	40.7	32.4	46.3	106.1	114.9

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	47.3%	27.7%	30.2%	73.1%	20.1%
Gross Profit	55.4%	1.3%	38.9%	69.7%	8.1%
EBITDA	82.3%	(13.0%)	48.5%	120.6%	8.2%
PAT	67.8%	(20.4%)	42.8%	129.2%	8.3%
Margins (%)					
Gross Profit Margin (%)	38.3%	30.4%	32.5%	31.8%	28.7%
EBITDA Margin (%)	23.1%	15.8%	18.0%	22.9%	20.7%
EBIT Margin (%)	21.3%	13.3%	15.4%	19.9%	17.9%
PAT Margin (%)	15.8%	9.9%	10.8%	14.3%	12.9%
Profitability (%)					
ROE (%)	32.5%	20.5%	16.9%	25.1%	22.1%
ROCE (%)	40.6%	23.1%	19.2%	28.6%	25.9%
ROIC (%)	37.8%	19.7%	16.3%	23.2%	19.9%
Working Capital (Days)					
Inventory Days	49	47	50	50	52
Receivable Days	53	54	54	54	56
Creditor Days	28	16	16	24	24
Working Capital Days	74	84	88	80	84
Valuations (x)					
P/BV (x)	10.0x	10.9x	6.9x	5.5x	4.5x
PE (x)	35.6x	57.8x	56.2x	24.5x	22.6x
EV/EBITDA (x)	24.4x	36.7x	34.2x	15.5x	14.3x

Source: TANF, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

Balance Sheet (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	3,120	3,732	8,117	10,159	12,370
Borrowings	414	928	2,028	2,028	2,028
Trade Payables	389	251	406	1,053	1,265
Other Non-current Liabilities	68	87	87	87	87
Other Current Liabilities	273	279	279	279	279
Total Net Worth & Liabilities	**4,264**	**5,277**	**10,917**	**13,607**	**16,029**
Net Block	1,678	2,117	6,176	7,896	9,160
Capital WIP	84	285	285	285	285
Inventory	902	928	1,268	2,195	2,740
Trade Receivables	993	1,105	1,369	2,357	2,951
Cash & Cash Equivalents	379	292	1,268	325	343
Other Non-current Assets	38	289	289	289	289
Other Current Assets	191	261	261	261	261
Total Assets	**4,264**	**5,277**	**10,917**	**13,607**	**16,029**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
CFO	329	434	836	1,614	2,235
CFI	(417)	(906)	(4,300)	(2,200)	(1,800)
CFF	318	381	4,440	(357)	(417)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden (%)	74.2%	75.7%	74.0%	74.0%	74.0%
Interest Burden (%)	100.3%	97.9%	95.1%	97.2%	97.7%
EBIT Margin (%)	21.3%	13.3%	15.4%	19.9%	17.9%
Asset Turnover (x)	1.5x	1.5x	1.1x	1.3x	1.3x
Equity Multiplier (x)	1.3x	1.4x	1.4x	1.3x	1.3x
RoE (%)	32.5%	20.5%	16.9%	25.1%	22.1%

Source: TANF, Choice Institutional Equities

Historical share price chart: TANF

Date	Rating	Target Price
July 22, 2026	BUY	3,750
July 27, 2026	BUY	3,750

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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