



“TANFAC Industries Limited
Q4 & FY '26 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good day and welcome to TANFAC Industries Limited Q4 and FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference, please signal for an operator by pressing star and then zero on your touchtone telephones. Please note that this conference call is being recorded.

Before we begin, a brief disclaimer. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and it may involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Afzal Malkani, Managing Director of TANFAC Industries Limited. Thank you and over to you, sir.

Afzal Malkani:

Thank you. Good afternoon everybody and a very warm welcome to our Q4 and FY26 earnings call. Along with me, we have Mr. Gupta, CEO and Mr. NR Ravichandran, CFO and SGA, our investor relations advisor. Since this is our maiden earnings call with the investor community, I would like to begin with a brief introduction of the company and share the transformation journey that TANFAC has undergone over the last few years.

TANFAC Industries is a joint venture between Anupam Rasayan and Tamil Nadu Industrial Development Corporation, TIDCO. We are one of the India's well-established fluorochemical manufacturers with more than four decades of expertise in handling hydrofluoric acid and fluorine chemistry. Our integrated manufacturing facility is located at Cuddalore, Tamil Nadu, which is about 200 kilometers south of Chennai and 30 kilometers from Pondicherry.

The facility, spread across around 60 acres, currently has a total installed production capacity of approximately 1,35,000 metric ton per annum. Over the years, TANFAC has built a well-integrated fluorochemical manufacturing platform with strong backward integration resulting in improved efficiency, reliability, and competitive cost advantages.

Today, we are amongst the leading domestic manufacturers of hydrofluoric acid and importantly, we are also the first and only manufacturer of solar grade DHF in India, positioning us strongly in high-growth sectors such as solar photovoltaic and semiconductors. One of our biggest strengths is our proven execution capability. Over the last few years, we have consistently demonstrated our ability to execute projects within aggressive timeline and at highly competitive capital costs.

Our recent HF expansion is a strong example of this capability where the project was commissioned successfully within the planned timeline and at a significantly competitive cost compared to industry benchmarks. Another important strength of TANFAC is the strong support from our promoters.



While Anupam brings deep technical expertise, global customer access, and specialty chemistry capabilities, TIDCO brings institutional strength and stability backed by a long-standing association with the company. With TANFAC has a long operating history, post-acquisition by Anupam in March 2022, the last four years have been particularly transformative for the company.

This partnership has provided significant strategic advantages including strengthened management capabilities, improved product synergies, market reach, enhanced technical expertise, and stronger operational execution. This collaboration has enabled us to introduce new fluorine-based products, strengthen our downstream chemistry capabilities, improve operational efficiencies, and accelerate our growth trajectory.

Since then, our journey has evolved from a phase of stabilization and operational improvement to one focused on capacity expansion, forward integration, and value-added product development. This transformation is clearly reflected in both our operational and financial performance. Our revenue from operation has grown nearly five times from around INR148 crores in FY21 to INR711 crores in FY26, reflecting a strong CAGR of around 37% over the last five years.

We also achieved our highest ever production volumes and capacity utilization levels in a year. Over the past three years, we have undertaken several strategic growth initiatives to strengthen our position in the fluorochemicals value chain. In October 2024, we successfully doubled our hydrofluoric acid capacity from 15,000 metric ton per annum to approximately 30,000 metric ton per annum with a total investment of around INR100 crores, which is the lowest per ton investment in the industry.

The project was commissioned within the planned timeline and was a vertical start-up reflecting our strong project execution capability. In addition, FY26 marked another important milestone with the successful commissioning of both phases of our solar grade DHF project with a total capacity of 20,000 metric ton per annum.

As I mentioned earlier, we are the first and the sole solar grade DHF manufacturer in the country and this positions us strongly in high purity fluorinated applications linked to the photovoltaic and semiconductor industries. Further, for this business, we have already secured orders worth approximately INR1,068 crores expected to be executed over the next 3.5 years.

This agreement provides strong visibility for future growth and reinforces customer confidence in our capabilities and product quality. We have also invested substantially in debottlenecking existing capacities, improving plant safety and reliability, strengthening environmental systems, and modernizing our R&D centers towards world-class standards.

Our R&D efforts are increasingly focused on next-generation fluorinated products, specialty fluoropolymers, battery chemical applications, electronic grade chemicals, and other advanced fluorine chemistries, which we believe will become important growth drivers over the coming years.



With that, I would now like to hand over the call to our Chief Executive Officer, Mr. Gupta, who will take you through the performance of the company in FY26 and also the expansion plan of the company. Thank you.

Hemango Gupta:

Thank you, Mr. Malkani. Good afternoon, everyone, and thank you for joining us today. For the year Q4 and FY26, the company has delivered strong performance across both revenue and profitability. I am pleased to share that we achieved our highest ever quarterly and full year revenue from the operations of INR193 crores and INR711 crores, respectively.

During the year, we secured three consecutive long-term supplier arrangements for fluorinated products with leading global customers. These include contracts aggregating to approximately INR3,612 crores over a period of 5 to 7 years, along with an additional agreement with Blue Star for an indefinite duration. These milestones reinforce our position as a trusted and reliable partner for global customers.

Let me now discuss our next phase of expansion within the fluorine value chain, particularly our entry into refrigerant gases, which we believe will be a key long-term growth driver for the company. The global refrigerant industry is currently undergoing a major structural transformation driven by environmental regulations, increasing cooling demand, and the transition towards lower GWP refrigerants.

In this evolving landscape, HFC-32 has emerged as one of the most important next-generation refrigerants for residential and light commercial air conditioning applications. The global HFC-32 market is estimated at around 380 KT in 2025 and is expected to grow to nearly 485 KT by year 2030, reflecting a healthy CAGR of approximately 5%. This growth is being supported by a combination of strong regulatory tailwinds and rising global cooling demand.

From an India perspective, the opportunity remains extremely compelling. India's HFC-32 demand is currently estimated at around 22 to 23 KT and is expected to nearly double to 45 to 50 KT over the next 4 to 5 years. This growth is primarily driven by the strong expansion of the domestic room air conditioner market, which is expected to grow at approximately 16% to 17% CAGR.

As a part of this strategy, we have already announced a capital expenditure plan of approximately INR495 crores. This includes INR405 crores towards HFC-32 and approximately INR90 crores towards other value-added fluorinated products. This INR495 crores will be used towards setting up a 20,000 metric tons per annum downstream fluorinated products manufacturing facility at our existing Cuddalore site. The project is progressing well and remains on track for the commissioning by Q3 in the year FY27.

What gives us even greater confidence is that a substantial portion of this upcoming capacity is already supported by long-term customer contracts. Collectively, these contracts account for nearly 65% of the proposed capacity, providing strong demand visibility even before the commissioning of the plant.



We believe our competitive advantage in this segment comes from multiple structural strengths, including assured in-house availability of hydrofluoric acid, strong backward integration, long-term customer relationships, operational expertise in fluorine chemistry, integrated infrastructure, and proven project execution capabilities.

Beyond the currently announced expansions, we continue to actively build a broader pipeline of high-margin fluorine-based products and technologies. Looking ahead, our strategy includes further strengthening our solar grade DHF position through an additional plant capacity of 20,000 metric tons per annum. We also aim to further strengthen our backward integration capabilities through the expansion of HF and Sulphuric acid capacities to support our HFC-32 production.

In addition, we are actively focusing on electronic grade chemicals, battery material applications, high-performance fluoropolymers, specialty fluorochemicals, inorganic fluorides, and other advanced fluorinated chemistries to cater to emerging high-growth and high-profitable sectors. At the same time, we continue to strengthen our sourcing ecosystem and supply chain resilience for critical raw materials such as fluorospar, Sulphur, potassium carbonate through diversification of suppliers across multiple geographies.

We believe this approach will help us ensure long-term supply security and support scalability of our downstream fluorochemical operations. Going forward, our focus remains on expanding our high-performance fluorochemicals portfolio, strengthening backward integration capabilities, and enhancing our R&D efforts, executing our planned capex initiatives, improving operational efficiencies and reliability.

We believe these strategic initiatives will further strengthen TANFAC's market position and support sustainable long-term growth in revenue and profitability. Despite the evolving geopolitical environment, particularly in the Western Asian region, we remain confident about the overall business outlook, supported by our strong order visibility across key product segments, ramp-up in solar grade DHF revenues, long-term supply arrangements with global customers, and downstream expansion projects currently under implementation.

Before I conclude, I would now like to hand over the call to our Chief Financial Officer, Mr. Ravi, who will take you through the operational and financial performance of the company for Q4 and FY26 in greater detail. Following that, we'll be happy to take your questions. Thank you.

N.R. Ravichandran:

Thank you, Mr. Gupta, and good afternoon everyone. Let me take you through financial performance and key operational development that took place during Q4 and FY26. I am pleased to share that our company has achieved highest ever quarterly and full year revenue from operations of INR193 crores and INR711 crores respectively, driven by improved realization and volume growth.

Our revenue from operations had grown up by 27% year-on-year from INR557 crores in FY25 to INR711 crores in FY26. Quarter-on-quarter, our revenue from operations had grown up by 11% from INR173 crores in Q3 to INR193 crores in Q4 of FY26. Our operating EBITDA had



decreased by INR17 crores year-on-year from INR129 crores in FY25 to INR112 crores in FY26.

In percentage terms, our operating EBITDA is 16% of the revenue when compared to 23% in FY25. FY25 was an exceptional year in terms of margins and realizations. Despite normalization in margins during FY26, we continued to maintain healthy profitability levels while simultaneously investing for future growth. Going forward, we expect operating EBITDA margins to remain range-bound around 15% to 18% from existing line of business.

Our Profit After Tax decreased by INR18 crores from INR88 crores in FY25 to INR70 crores in FY26. In percentage terms, our PAT is 10% of the revenue when compared to 16% in FY25. PAT remained subdued due to lower operating profit and higher depreciation arising from recent capex.

Operationally, our plant continued to perform well during the year. The Sulphuric acid plant operated at 101% capacity utilization, while the hydrofluoric plant operated at around 95% utilization levels, reflecting strong demand and efficient operations.

In the specialty fluoride segment, utilization stood at around 41% and we expect utilization levels in this segment to improve progressively as demand for value-added products scale up over the coming quarters. I would like to highlight that we improved our working capital cycle by 8 days to 91 days in FY26, reflecting our continued emphasis on operational efficiency and disciplined working capital management.

Our balance sheet and return ratios continue to remain healthy, with return on equity at 19% and return on capital employed at 20%. Overall, the company delivered record revenues, maintained healthy return ratios, improved operational efficiencies, and significantly strengthened its long-term growth pipeline.

With long-term customer contracts already in place, ramp-up of solar grade DHF revenues and commissioning of new downstream capacities over the next few quarters, we remain confident about the medium to long-term growth outlook of the company. With this, we would now like to open the floor for question and answer. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Harsh Shah from Emkay Global. Please go ahead.

Harsh Shah: Thank you, sir, for the opportunity. I have couple of questions. So the first question is what was the segment-wise capacity utilization for FY26, and where do we see the growth coming from in next two to three years?

N.R. Ravichandran: As mentioned in my speech, our Sulphuric acid plant has -- the capacity utilization of our Sulphuric acid plant is 101% and HF plant is 95%. And going forward, we will be able to fully utilize the capacity with the strong demand and growth.



Afzal Malkani: Harsh, in addition to that, what Mr. Ravi has mentioned, that the growth will come from the other inorganic fluoride chemicals as well as downstream HFC-32 also.

Harsh Shah: Okay, so thank you. And the final question from my side is that what is the status of quota for R-32 for which we are doing capex?

Hemango Gupta: The quota, Harsh, will be decided in 2027 and it rests with the government. So, but the -- it will be decided in '27, but we have got a clean EC to manufacture this. So we are going ahead. And if you want details on quota, I think I can give it to you. You want details?

Harsh Shah: Yes, sir.

Hemango Gupta: See, the whole quota is arising out of an international agreement among various countries and this is the quota which will be decided at the national level as indicated by the government in its latest office memorandum of 1st April 2026. If you see that memorandum. So India's HFC quota, which we estimate will be in the range of 115 to 125 KT per annum kind of thing. And approximately this quota will be available with the Government of India out of which the existing installed capacity is around 50,000 tons.

And as per the office memorandum of 1st April 2026, the Government of India has decided, they have informed that they will be proportionately issuing the quota in calendar year of 2027 based on the production capacity. This is very clearly written in that office memorandum. Quota will be applicable from January 2028, 1st January 2028 onwards, and the next calendar year 2027 would be a free year for production and supply of HFC-32. We have also received the environment clearance and consent to establish the plant.

Also, if we see the latest office memorandum of 1st April 2026 as issued by the government of India in the last month, it speaks about the same thing. So as per the memorandum in which the clause number 3 is clearly mentioning, and implementation of an appropriate framework permitting HFC production after taking into account the production capacity of the operational units as on 1/1/2028 as per the HFC phase-down schedule of the Montreal Protocol. This is I am quoting from the office memorandum, this line.

So in the clause, you know, it is a self-explanatory clause and you can understand the meaning of the production capacity of the operational units. We would not like to comment any more on this. Also, the clause number 6, you know, part two, says that any additional HFC production capacity already granted EC for controlled application shall not be allowed to commence production beyond 31st December 2027 in line with the freeze obligations under the Kigali Agreement.

We believe that the government is encouraging new players and manufacturers to ensure that the domestic market is served with the products domestically produced, Atmanirbhar Bharat, in the spirit of Make in India.



And which can be, you know, also you can extrapolate the Chinese, if you see in 2003, their AC penetration was very less, about 6%, 6.5%, which is now almost 65% air conditioning penetration in China. And India today stands at about 8% air conditioning penetration.

So you can see the growth which is expected to come in the air conditioning sector for which all the refrigerant gases will be an important and critical part of it. So the demand is going to grow almost to four-five folds, six folds. And India also has to decide where the gas will come from. They won't, don't want to depend on the other countries as other countries also have a limited production. So we have to make ourselves Atmanirbhar and Make in India kind of initiatives. So we are working towards that and that is why this HFC-32 plant we are planning to commission by Q3 of FY27.

Harsh Shah: Okay, sir. This is very clear. Thank you for this and that's it all from my side.

Hemango Gupta: Thank you. Thanks, Harsh.

Moderator: The next question is from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and good to know that you're doing a sizable capex. Sir, again a little bit delving on the R-32 capacity. So you've talked about the quotas, you've talked about approximately HFC quota of about 1,10,000, 1,20,000. Given that the incumbents are trying to reach that particular mark, how are we confident that our capacity will also be given certain quota?

And at what percentage level of operations will we be breaking even if we say that our capacities will be available till say 2037? And just two allied questions to this, in terms of both fluorspar and Sulphur sourcing, how are we placed given that we need to backward integrate the entire facility?

And also you mentioned that 65% customer commitments - are these from the domestic markets or from the exports market? And does it signify that 65% of 20,000 capacity means 13,000 capacity is already being probably taken by the customers in terms of some commitment. Thank you.

Hemango Gupta: Okay. So three questions, Nagraj, you have asked. The first is about the quota that the internal people are going to run towards that. The second is about the fluorspar and the Sulphur sourcing for the new project, right, how we are integrated. And the third is the contracts which we have, right? These are the three questions. Am I right?

So the first question I've already explained when Harsh asked. I've detailed the office memorandum, I have quoted, the office memorandum clearly states this. And implementation of, I am quoting, right, clause number three, 'implementation of an appropriate framework permitting HFC production after taking into account the production capacity of the operational units as on 1/1/2028 as per the HFC phase-down schedule of the Montreal Protocol.



So I don't want to harp more on this. It is more of it is self-explanatory. You guys can understand this. I think you all have access to this office memorandum, it is a public document, 1st April 2026. So please go through it and I don't want to detail and I'd like to leave it to the government. So that is answer to the question number one.

Number two, we are tied up for fluorspar, and we generally have annual contracts for fluorspar. So fluorspar availability is not an issue. Fluorspar, if you see, calculate the world's fluorspar mines and the availability, it is available for next 90 to 100 years. So that is not an issue. Sulphur, due to West Asian crisis, the price is going up, but the availability is there.

So we are getting Sulphur, but the prices have gone up. So we are tied up for it and for J numbers of years we have been sourcing fluorspar for our production of Sulphuric acid plants. So Sulphur is not an issue.

And the third thing we have plans to put up a new 30,000 tons of AHF for this upcoming R-32 because HF applications are also--, we are also working on few other downstream products. Our current HF customers are also there which we don't want to starve and lose that market.

And then 32 demand is also there for HF will be required for captive use for our HFC-32. So that will also be there. So we have plans to secure that whole thing. So that answers your second question. The third is out of this 20,000 tons, 13,500 tons we have tied up with contracts. So broad level if you ask me, about 75% to 80% is exports, 15% to 20% will be domestic.

Rohit Nagraj: Got that, sir. Thanks for answering. Sir, second question in terms of the revenue. How much revenues did we get from our parent Anupam in FY26 and how does the pricing for the same work? Is it at a transfer pricing?

Hemango Gupta: I will ask Mr. Malkani to answer this.

Afzal Malkani: Yes, it is in FY25-26 it was around INR9 crores. It is the 1.2% of the total revenue and it is at the arm's length price only.

Rohit Nagraj: Sure. Just allied question to that I was coming to is, in terms of our future products or segments, would there be any overlap between our parent and us or would there be clear distinction that there will be certain segments where we only will be operating and there will be certain segments where.....

Hemango Gupta: See, it is very clear, we have made complete distinction on the product list on the fluorine downstream and other things. So there's a complete, you know, distinction what they will do and what we will do. So there is no overlap, nothing.

Rohit Nagraj: Perfect, sir. Thanks a lot. I'll come back in the queue. All the best.

Hemango Gupta: Thank you. Thanks, Nagraj, for your question. Thanks.



- Moderator:** Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.
- Siddharth Gadekar:** Hi, sir. Good afternoon. So the first question is on the AHF. We mentioned that we'll be setting up another 30,000 tons of AHF capacity. So that is included in the INR495 crores capex or that will be over and above this?
- Hemango Gupta:** No, Siddharth, that is not included. In fact, we are going to announce it in next few months, that 30,000 tons of capacity. Because first time this company is doing such a big project, you know, capex of INR495 crores. So we want to streamline that first and meanwhile once we see that in sight, we will announce in two-three months. That's our plan.
- Siddharth Gadekar:** Secondly, can you just comment on the domestic HF demand-supply given that even our peers have commissioned large capacities? How do we see the merchant market and what is the merchant demand of HF today and how do we see that growing ahead?
- Hemango Gupta:** See, the merchant demand is divided into three segments. One is the steel and the glass segment which is, it goes for surface treatment. The other is for specialty products which goes into fluorination and agrochemicals and other sectors. The third is the solar grade segment. So if you combine all of this, the total market as of today in terms of AHF, I tell you because there are various concentrations of HF which goes into this.
- So about 15 KT in AHF terms will be demand for AHF for solar grade, about 15 KT to 18 KT for surface treatment, and similarly about 10 KT maybe for the specialty products for agro, pharma and other applications. So broad level if you see, the total will be around 40 KT of AHF demand in the Indian market as of now.
- Out of which solar is growing at a tremendous pace, steel is growing at a 5% to 6% growth, and the pharma and agro are again at 6% to 7% growth. But the solar is growing at a tremendous, it is going to, you know, eight times in next five years. That is the plan, six to eight times, yes. Because today the solar capacity is about 36 gigawatt and which is expected to go to around 200 gigawatt, about 216 gigawatt. That's the plan in next five years for the solar players. So you can see the demand going up almost, you know, almost seven-eight times.
- Siddharth Gadekar:** Sir, in terms of realization, what is the difference between solar grade and the normal AHF and in margins also if you could give?
- Hemango Gupta:** Solar grade gives us about INR15 to INR20 per kg extra realization than the normal merchant grade, industrial grade of HF.
- Siddharth Gadekar:** Okay. And the cost?
- Hemango Gupta:** Cost, about INR3 to INR4 or INR5 maximum would be the cost for making from industrial grade to solar grade. So our, you know, margins improve by around INR10 to INR15 per kg in case of solar grade.



- Siddharth Gadekar:** Okay. So on chloromethanes, how are we looking at sourcing chloromethanes? Will it be from our neighbour, Chemplast or we are looking at alternative sources also?
- Hemango Gupta:** Chemplast, I don't know how much capacity, but there is a production in India at the level of almost 425,000 or 430,000 tons of methylene dichloride, MDC, in chloromethane. And the demand today stands at about 310,000 to 320,000 metric tons. So that leaves about 100,000 tons of oversupply in domestic market from the production. Plus imports are also available from China, Europe, both the places. So I don't think there'll be any challenge in methylene dichloride.
- Siddharth Gadekar:** Sir, just one last question on the R-32.
- Moderator:** I'm sorry to interrupt, please come back to the question queue, sir, Mr. Gadekar?
- Siddharth Gadekar:** Yes, yes, sure.
- Moderator:** Thank you so much. The next question is from the line of Akash Dobhada from Investec Capital Services. Please go ahead.
- Akash Dobhada:** Yes, thank you for the opportunity. So my first question is why did the gross margins declined in FY26 versus FY25?
- N.R. Ravichandran:** FY25 we had a very good Q3, an unusual Q3 where the realizations were also high and cost was also less. So we had a very good Q3 where we have reported that around INR30 crores profit in Q3 itself. So we had a very good Q3, that is the reason. But apart from that, the prices of sulphur has increased in FY26, used to be around INR30 per kg in FY25, increased up to INR38 to INR40 per kg as an average consumption rate I am saying. And it has also further increased during this quarter. Okay. So that is the reason the EBITDA margin, gross margin has come down.
- Afzal Malkani:** Yes, so these are the main reasons. And in addition to that, if I want to add in that, then in Q4 there was the also this M2M loss of around INR2.5 crores to INR3 crores due to the depreciation of rupee against the USD on 31st March '26. And also in addition to that, during FY2025-26, we lost the production of around INR70 crores with HF due to unplanned maintenance and bottleneck due to distillation column in our old HF-1 plant.
- But now this plant is operational at 100% capacity, so we'll get more production compared to last years. And additionally, the depreciation was also higher by INR7 crores due to setting up of the solar grade plant during the FY2025-26. So these are the four to five reasons which led to reduce in the profitability compared to FY2024-25.
- Akash Dobhada:** Got it, got it. And so given the impact of Middle East war on the raw material prices, could you provide an update on extent of increase in the raw material prices? Additionally, how much margin compression are we factoring in due to this? And to what extent are these cost increases being passed on to the customers?



- Hemango Gupta:** See, the margin remains probably in the same range. We have been able to pass the cost increases to customers, not at one time but in phased manner. So ultimately, you know, there's a lag in increasing the prices, there's a lag in decreasing the prices, so ultimately it remains the same. So margin probably we are expecting to remain same percentage margin this year also. But with the last quarter of getting R-32 revenue, I think the margins may increase by 3% to 4%.
- Akash Dobhada:** Okay, got it. And one last question, what is the solar grade DHF growth outlook over next three to five years and why only TANFAC is the manufacturer in India? Like no other player is coming in this segment? Just want to understand the market outlook on this.
- Hemango Gupta:** First question was what is the growth outlook for next five years? So I explained to an earlier participant, he asked this question. So today the capacities are 35 gigawatt, 36 gigawatt, which are expected to go to 216 gigawatt in next five years, which gives us a multiple of seven times. So today the market stands at around 24 to 25 KT in DHF terms, which is going to go up to almost 150 KT in next five years.
- So you can see it is multiple of almost six and a half-seven times which is expected. Now your second question is why only TANFAC is doing this? See, in merchant grade, the industrial grade, there is lot of, there are lot of impurities. Now this solar is used to etch the solar wafers, right, to generate electron collection in the chip, to maximize the efficiency. To maximize efficiency, so if there are minimal metal impurities, then the efficiencies will be better.
- So now the requirement by the solar photovoltaic companies are below all impurities below 10 PPB, parts per billion. So which is not easy to achieve. There's a technology involved, there are lot of, you know, closed rooms and other things are involved. So it is as good as a USFDA plant, something like CGMP procedure. And there is a capex involved, you know, INR50 crores to INR70 crores you have to invest to get this technology done, right?
- So there are whole lot of, and there's a learning experience involved. So we have been trying this for last two years and finally we were able to achieve this last year only, in last calendar year. And that's how we have been able to achieve the quality of less than 10 PPB impurities. And that is why today TANFAC is the only manufacturer who is doing this.
- Akash Dobhada:** Got it, got it. Thank you for the opportunity. I will join back the queue.
- Hemango Gupta:** Thank you, Akash.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.
- Rohit Nagraj:** Thanks for the follow-up. Sir, first question on the R-32, what could be the probable cost of production including the operating expenses?
- Hemango Gupta:** See, difficult but I'll give you just an approximate figure. It will be between INR240 to say INR280 range per kg.



- Rohit Nagraj:** Right, right. Got that. And second question in terms of capex, so we have indicated about INR500 crores of capex which will be for FY27. What is the plan beyond this? And given that we have those INR3,000 plus crores of long-term contracts, how are we likely to go ahead with capex? Will there be any material debt which we need to get or probably some kind of a QIP that we are looking at?
- Hemango Gupta:** See, this project we are going ahead, R-32, and we have some bigger projects lined up and the, you know, the products are ready in our labs and we have to just send it to customers for approval sake. So we have a long-term plan of going into high-performance fluoropolymers, high-performance fluorochemicals also, there are inorganic fluorides also, and the so many products, battery chemicals also, electronic chemicals also.
- So these are the core segments where we are going ahead in future. So there are products which we are working on. So depending on the, you know, our internal accruals and our financial, you know, placement at that time, we will see how much debt we have to take or we go for another fundraise or something. So I can't comment today on that for the future.
- Rohit Nagraj:** Sure. Thanks a lot, sir. All the best.
- Moderator:** Thank you. The next question is from the line of Anuj Haria from Inter Globe Services. Please go ahead.
- Anuj Haria:** Hi, thank you for the opportunity. My question's around the solar grade DHF. We've won orders approximately INR1,050 crores and we have a capacity of 20,000 metric tons per annum at present. So do these orders book out our complete capacity for the next three years or how or do we have additional capacity available for the time being?
- Afzal Malkani:** Yes, these are till FY29, next three and a half years. And it books out of 20,000 capacity, it books around 85% of capacity of the year, every year.
- Anuj Haria:** Okay. Okay, thank you. And in the presentation it was mentioned that we plan to set up additional 20,000 metric tons of solar grade DHF. So when do, when do you think the plant will go live?
- Afzal Malkani:** Yes, so, before that we need to go for the HF plant that we may announce after two-three months and we may just for example we can start after four months. So simultaneously we will go for the solar grade also. So within 11 to 12 months, the HF and new solar grade plant will come together. So we can consider June '27.
- Anuj Haria:** Understood. And you mentioned earlier basically for the R-32 capacity, we've already sold out approximately 70% of our capacity. I couldn't get the number earlier.
- Hemango Gupta:** Yes, 65% we have booked today. And there are some we are trying to block another 15% to 20% more. So most likely another 80%, 85% will be completely sold off before the plant comes **online**.



- Anuj Haria:** Understood. And could you just, could you just give me a brief colour about like you mentioned basically the price increase and decrease is passed on in a gradual manner and currently also the raw material prices are continuously increasing. So at present what percentage of the cost through are we able to pass on to the consumer, let's say compared to six months ago? Because the sulphur and fluorspar prices have been increasing for the last six to nine months. So compared to that what stage have we reached in pass-through of prices?
- Afzal Malkani:** So definitely there is a significant increase in sulphur and fluorspar logistics cost. We have been able to pass on but definitely there is a lag of around 30 to 40 days. So that's only, we are running on that. Otherwise we are able to pass on 100% cost increase to our customers.
- Hemango Gupta:** It comes with a lag, so increasing also has a lag and decreasing also has a lag, so ultimately it balances out.
- Anuj Haria:** Okay, so basically a 30 to 45 day lag, this is what I wanted to know, sir
- Hemango Gupta:** That is in phased manner, suddenly you cannot increase at one time because you are contracted with customers and all these things, yes.
- Anuj Haria:** Correct. And this will be applicable for all the R-32 orders also that we have signed that will start from January next year?
- Hemango Gupta:** Yes, those are formula-based contracts. So absolutely no issue.
- Anuj Haria:** Okay. Okay, thank you. That'll be all from my end.
- Moderator:** Thank you. The next question is from the line of Meeth Gada. Please go ahead.
- Meeth Gada:** Hi, thank you so much, sir, for my questions, I wanted to check like what would be the payback period and the potential returns from the proposed HFC project, sir?
- N.R. Ravichandran:** See, payback period for the proposed HFC project, we expect it will be less than four years. Given the current scenario and current high demand for the product and very good realizations, we expect payback will be less than four years.
- Meeth Gada:** Okay. And for the planned capex, how are you planning to raise funds over here in this case?"
- Afzal Malkani:** So for that, particularly for this total capex, INR405 crores is for the R-32. So we are planning to raise around INR400 crores, out of which INR100 crores will be from the promoters by way of the preferential allotment and remaining INR300 crores by way of QIP and term debt.
- Meeth Gada:** Got it, sir. Thank you so much. That's it from my side.
- Moderator:** We have the next question from the line of Siddharth Gadekar from Equirus. Please go ahead.



- Siddharth Gadekar:** Hi, sir. So just one question on the HFC quotas. So in our discussions, could you just make us understand that the quotas will be given driven by gas-wise quotas or will it be on a HFC which is converted to a GWP basis quota?
- Hemango Gupta:** See, US has gone on the GWP-based quotas, CO2-based, and China is on product-based quota. So looking at our parallels drawing more with China, government should go with the Chinese concept, but I'm not sure. It lies with the government. I can't comment more on that. It lies with the government, yes.
- Siddharth Gadekar:** Secondly, on our R-32 contracts, you just mentioned that these are formula-based. So what would be the profit margin that we have assumed in these formulas for the contracts?
- Hemango Gupta:** Difficult to comment on this, confidential as of now, Siddharth. But there's a decent significantly good margins. I just want to say that, significantly good margins. I can't give a number. The payback is coming less than four years, as our CFO has indicated. So you can understand the margins kind of thing.
- Siddharth Gadekar:** Okay. Thank you.
- Moderator:** The next question is from the line of Nitesh Dhoot from Anand Rathi. Please go ahead.
- Nitesh Dhoot:** Thank you, team, for the opportunity. My question is, on the R-32 contracts that we've signed. So they are actually contingent on securing the production quota and not securing the EC, right? So the question is whether these agreements are actually legally valid as of now?
- And I wanted to check, what is the penalty exposure if the supplies can't be delivered? So if say TANFAC misses the contracted supply timelines due to quota non-allocation or for any other reason, what are the damages or the penalty obligations across these agreements and, have these been quantified and disclosed as a contingent liability there?
- Hemango Gupta:** See, these contracts are done in good intention. So there is no penalty clause due to this or anything. Once we start the production, and then the penalty clauses starts, if we are not able to supply from my production or they are not able to buy vice versa also is true. That if they are also not able to buy the contracted quantity, they will also be get penalized. So it is a vice versa equivalent mutual contract.
- Nitesh Dhoot:** So just to clarify, I mean whether these have penal contracts on both sides, that is if you're not able to supply whether you'll be penalized and if you can quantify the kind of...
- Hemango Gupta:** No, no, see, there are two things. We are not able to supply because of quota. So that penalty is not there in the clause. Number two, once we come into production, so then there is a penalty clause if I am not able to supply. If suppose I have a contract of say 5,000 tons and I am able to supply only 4,000 ton. Then for 1,000 tons, I will pay. But suppose he doesn't buy 5,000 tons, he buys only 4,000 ton, then they will also pay to us for 1,000 tons. It's mutual, both sides.



Nitesh Dhoot: Perfect. So which means that the quota contingency has been considered in the agreements or the LOIs that you've signed.

Hemango Gupta: There is no penalty.

Nitesh Dhoot: There is no quota and there is no obligation, there is no liability.

Hemango Gupta: Correct. no obligation.

Nitesh Dhoot: So if there's no quota, right. So okay. Secondly, on the quota order that you've quoted, that also clearly mentions that, the limits on production are as per what is described or what is prescribed under the ODS rules and the Kigali Amendment, right? So even if players have the capacity, the countrywide limits will not be exceeded.

Now, you know, if we see the incumbents, SRF, GFL, Navin, they have both HCFC baselines from 2009-10 and an active production running through the 2024-2026 window, which are the two key requirements for securing the quotas as per the Montreal Protocol.

Now, their announced HFC capacities, if we aggregate, whatever the incumbents have announced, that suggests that the country's total permissible production quota under the Kigali will be largely, if not fully, consumed by these incumbents alone.

So with no HCFC baseline and with no HFC production in 2024-26 observation period, the quotas that we are talking about, we would need more clarification on how do we feel that, will we be allotted quotas? Is it like, you know, purely on the basis of the ECs that we have secured or there is any other indications from the government that we have to go ahead with this project?

Hemango Gupta See, you are asking questions. The same question is appearing again and again. This is the third time answering it. So, it is the clause number three, it is self-explanatory, which says that the implementation of an appropriate framework permitting HFC production after taking into account the production capacity of the operational units as on 01/01/2028 as per the HFC's phase-down schedule of the Montreal Protocol.

Now, if you want to ask the exact numbers and all these things, I think government is the right party to ask all these questions. We are not in a position to comment on any of these. So, that is what my final say is. I will not comment more on this.

Nitesh Dhoot: No, sir. My question, I have understood your point. But my question is just to check because...

Hemango Gupta: No, I would not like to comment on that. Whoever is expanding, whoever is doing, what other people are doing, I cannot comment on them, please.

Nitesh Dhoot: But you feel that this order sufficiently says that only production capacity is important or is it within the framework of the Kigali rules, which also say that there is a contingent on the...



Hemango Gupta: We are going ahead with our plant of 20,000 metric tons and we are halfway through it and our capacity will be commissioned probably in October end or November, early November, Q3 of FY27.

That we are confident of it. CY2027 is a free year. We'll come to know about the freeze in 01/01/2028. And we are very confident with the government that, you know, as per the order, they will behave as what the order says.

Nitesh Dhoot: All right. Thank you so much.

Moderator: Thank you. The next question is from the line of Rajesh Gupta from SBI. Please go ahead.

Rajesh Gupta: Yes, thank you for the opportunity, sir. My question is on the broader perspective. At INR495 crores capex, what kind of revenue we see over the next two-three years on that?

Afzal Malkani: So this out of INR495 crores, for this R-32 is around INR405 crores. And this gives us a revenue of around INR900 to INR1,000 crores revenue every year.

Rajesh Gupta: Okay. And looking at your further expansion plan in other related products, what is the company's vision in next four-five years in terms of the growth, if you can just share on that?

Hemango Gupta: Yes, definitely. So if we see, with the proven execution of the solar grade, there are three to four growth drivers for that. With proven execution of solar grade DHF, as our CEO has mentioned, we are planning to go for the setting up of the new HF and solar grade facility. And we are also poised to foray into electronic grade DHF for application in semiconductors.

We are also planning to enter into future sustainable refrigerant gases like HFOs and high-performance fluoropolymers. So the above will lead us to participate in various new-age applications and achieve a diverse portfolio. And for that our R&D is continuously getting strengthened leading to development of high-end and high-margin products.

Yes, but definitely we will go for the expansion after this R-32 project is over. But to answer your question, yes, next three to five years we will invest another INR500 to INR700 crores. But currently we will go one by one project only. As you see even our past three year history also, we go by one by one project only.

First this hydrofluoric acid, after the 100% capacity utilization of HF plant, we went for the solar grade. Same way we are going for the R-32 and once this capacity utilization, maximum capacity utilization is there, after that only we'll go. But yes, pipeline is there for all this product which I mentioned, product segment. I hope this answers your question.

Rajesh Gupta: Yes. Thanks. So basically the INR700 crores for the current year and INR900 crores incremental, which means that the peak you will reach INR1,600 crores plus kind of revenue in next in next two-three years.



- Hemango Gupta:** Yes. FY28 I think we should be close to around INR2,000 crores, INR1,600 to INR2,000 crores because the new HF plant would also be operational at that time. But we have a big pipeline of products. So our aim is to get to almost INR3,000 to INR3,500 crores in next five years.
- Rajesh Gupta:** Okay. Thank you, sir.
- Moderator:** The next question is from the line of Rohit Nagraj from 360 ONE Capital. Please go ahead.
- Rohit Nagraj:** Yes, thanks for the opportunity. Sir, no question, just one suggestion. The way our parent gives out a table of LOIs and contracts, if we can also provide the same, it will make, the future projections relatively better from an analyst perspective.
- So just a suggestion of that whatever contracts that we have and in terms of the life of it and whether those are already commissioned or likely to get commissioned, it would be really helpful if it could be shared?
- Hemango Gupta:** We are bound by some confidentiality agreements due to which we cannot disclose names of the customers till a certain time. So that is why we have not disclosed names of some of the customers. The customers where we were not bound, we have already announced their names. And sure we can provide a table kind of thing in future, that's not an issue.
- Rohit Nagraj:** Thank you so much, sir.
- Moderator:** As there are no further questions from participants, I now hand the conference over to Mr. Afzal Malkani for closing comments.
- Afzal Malkani:** Thank you everyone for joining us today and for your continued interest in TANFAC. With our strong order visibility, ongoing capex initiatives, long-term customer relationship, backward integration strengths, and focus on operational excellence, we remain confident about our long-term growth journey.
- Thank you once again for your participation and continuous support. We look forward to engaging with all of you regularly going forward. We hope we have been able to answer all or most of your questions. For any follow-up queries, please feel free to reach out to our IR partner - SGA. Have a great time ahead. Thank you.
- Moderator:** Thank you very much. On behalf of TANFAC Industries Limited, that concludes this conference call. Thank you all for joining us and you may now disconnect your lines. Thank you.