July 31, 2026

Tanfac Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Fund based limits – Working capital facilities	50.0	50.0	[ICRA]A+(Stable); reaffirmed	RBI
Non-fund based facilities – Working capital facilities	105.0	105.0	[ICRA]A1+; reaffirmed	RBI
Short term – Unallocated limits	40.0	40.0	[ICRA]A1+; reaffirmed	RBI
Total	**195.0**	**195.0**		

Instrument details are provided in Annexure I

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments, which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The rating reaffirmation factors in Tanfac Industries Limited's (TIL) established track record in the fluorochemicals business, along with its healthy financial risk profile and improved operating performance. Favourable demand prospects for hydrofluoric acid (HF) and downstream products such as solar-grade DHF have driven the company's profitability. TIL reported strong earnings in FY2026, supported by robust volume growth, improved realisations and ramp-up in the sales of DHF. Further, the capital structure remains strong, supported by its net debt-free status and healthy debt coverage indicators.

The ratings also factor in the strong operational linkages with Anupam Rasayan India Limited (ARIL). TIL, being in the fluorination business, is strategically important to ARIL and offers increased opportunities for forward integration. Going forward, the company's revenue growth and profitability are expected to remain healthy, backed by its focus on expanding capacities in the high-margin segments and the favourable demand for fluorochemicals.

ICRA notes the company's large ongoing capital expenditure programme. TIL is setting up a 20,000-metric-tonnes-per-annum (MTPA) R-32 refrigerant gas facility, with approximately 65% of the proposed capacity already contracted. The project is expected to be commissioned in Q3 FY2027, with a gradual ramp-up envisaged till February 2028. ICRA also takes note of the company's successful qualified institutional placement (QIP) concluded in June 2026 through which it raised around Rs. 250 crore of equity capital, as well as the ongoing preferential issue of around Rs. 100 crore, which is at an advanced stage of completion. While these fund raises are expected to support the planned expansion, the company's ability to commission the project within the estimated cost and timeline, stabilise the operations and achieve a timely ramp-up in sales post commissioning will remain the key monitorables.

The ratings are, however, constrained by the vulnerability of revenues and profitability to market disruptions, cyclicality in the end-user industries and the resultant price volatility. The volatility in forex rate and adverse changes in custom duties and environmental policies also remain credit concerns. ICRA also notes the hazardous nature of the company's primary product, HF, which could result in stringent transport norms, going forward. However, the company has the necessary transport permits from the Petroleum and Explosives Safety Organisation (PESO). Moreover, TIL is present in the specialty fluorides segment, which enables the captive use of a certain quantity of HF produced, mitigating the risk to a certain extent. As on June 30, 2026, ICRA also notes that ARIL has pledged its entire holdings (24.26%) of Tanfac Industries Limited.

The Stable outlook on the rating reflects ICRA's expectations that TIL is likely to sustain its operating metrics. The outlook underlines expectations that the entity's ongoing capex to expand the capacity and product portfolio will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Healthy financial risk profile – The company's financial profile has strengthened over the years with healthy profitability, steady annual cash accruals from business operations and limited dependence on debt. The revenues improved significantly in FY2026 over the previous fiscals, driven by higher volumes of HF following the capacity expansion and increased sales of solar grade DHF. Going forward, the ramp up of new products, including HF downstream derivatives and refrigerant gas, is expected to further boost the revenues and maintain healthy margins for the company.

TIL's capital structure is strong owing to its net-debt-free status and healthy debt coverage. The operating profitability remained healthy at 15.3% in Q1 FY2027, though moderated from the levels of 23.7% in FY2026 and 16.6% in FY2026, owing to a surge in sulphur and fluorspar prices which the company is passing on to the customers with a lag of 30-45 days. Going forward, the revenue and profitability are expected to remain strong, supported by high HF capacity utilisation, healthy offtake of refrigerant gas and steady demand for other downstream products. The company's strong financial flexibility is further reflected in the successful completion of the QIP of ~Rs. 250 crore in June 2026 and the ongoing ~Rs. 100-crore preferential issue, which is at an advanced stage of completion. These fund raises are expected to aid TIL's liquidity.

Long track record in fluorochemical manufacturing with presence in diversified product segments – TIL has an extensive track record of more than three decades in manufacturing fluorochemical products. The company is present in diversified product segments manufacturing HF, DHF, solar grade DHF, sulphuric acid and speciality fluorides and is now venturing into refrigerant gases.

Part of Anupam Rasayan India Limited Group – TIL is a joint sector company between ARIL and Tamil Nadu Industrial Development Corporation (TIDCO). Despite having a lesser stake of ~24% in TIL, as per the Government of India guideline for joint sector undertakings, ARIL has management control in the company. TIL, being in the fluorination business, would continue to be strategically important to ARIL, offering opportunities for forward integration.

Credit challenges

Revenue and profitability remain susceptible to market disruptions, end-user cyclicality and price volatility – TIL faces competition from domestic manufacturers as well as from imports, especially from China, which limits its pricing power. Further, key products such as HF and H_2SO_4 are commodity chemicals and remain exposed to demand-supply imbalances, resulting in considerable price volatility. The demand and prices of these products are also susceptible to the cyclicality inherent to the end-user industries. Hence, the company's profitability is exposed to the volatility in the spread between finished products and raw material prices. However, the cost control measures undertaken by the company over the years have mitigated the impact to some extent. While the profitability is also exposed to forex fluctuations, the company has a hedging policy in place, limiting the adverse impact. The long-term contracts signed for refrigerant gases also have pass-through clauses in place.

Stringent environmental scrutiny on transport of HF – TIL is exposed to stringent environmental scrutiny on the transport of HF and any adverse changes in environmental policies will be a credit challenge. While the regulations related to the transportation of HF is expected to get more stringent, the company has a valid transportation permit from PESO, mitigating the risk in the near term.

Environmental and social risks

Environmental considerations - The industry is exposed to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products, given the safety and environmental health-related concerns associated with chemicals. TIL also remains exposed to the impact of changes in environmental norms for the treatment of residual discharge/waste and indirect exposure to physical climate risks. Further, in the event of accidents, the litigation risks and liabilities for clean-up could be high. While TIL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on its rating.

Social considerations - Instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community, which could manifest in the form of protests, constraining the ability to operate or expand the capacity. TIL hasn't experienced/reported any incident of safety lapses in its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a key monitorable.

Liquidity position: Strong

TIL's liquidity is expected to remain strong on the back of healthy cash flow from operations, unencumbered cash and bank balance of ~Rs. 21 crore as on March 31, 2026, no term debt repayment obligations in FY2027 and an average buffer of 51% unutilised working capital limits (Rs.155 crore is the sanctioned limit) in the 12 months ended April 30, 2026. ICRA also notes that the estimated capex of around Rs. 390 crore for the refrigerant gas project, along with the maintenance capex planned in FY2027, is expected to be largely funded through the recently concluded QIP of approximately Rs. 250 crore and the ongoing preferential issue of around Rs. 100 crore. The balance funding requirement is proposed to be met through internal accruals and term debt.

Rating sensitivities

Positive factors - ICRA could upgrade the long-term rating if TIL exhibits a sustained improvement in its scale of operations and profitability while maintaining healthy capital structure and coverage indicators. Further, the rating could be upgraded if the credit profile of TIL's parent, ARIL, strengthens.

Negative factors - ICRA could downgrade the ratings if there is a sustained decline in the top line and profitability, or if there is any stretch in working capital cycle or any large debt-funded capex impacts the liquidity. Further, any disruption in sourcing key imported raw materials or any adverse changes in trade protection measures and duty structure will remain a sensitivity factor. A specific credit metric for downgrade includes TD/OPBDITA of more than 1.5 times on a sustained basis. Any weakening of linkages between Tanfac and its parent (ARIL) or a moderation in the credit profile of the parent could also exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Parent/Group Company: Anupam Rasayan India Limited The ratings draw comfort from the likelihood of support from the parent company for the rated entity, should there be a need, given the strategic importance of the rated entity to the parent group
Consolidation/Standalone	The ratings are based on the standalone financial statements of Tanfac Industries Limited

About the company

Tanfac Industries Limited (TIL) was incorporated in 1974 by Tamil Nadu Industrial Development Corporation (TIDCO) as a joint sector company, along with Mr. L. Narayanan Chettiar. Mr. Chettiar later withdrew from the project and the Aditya Birla Group became the co-promoter with a 25% stake in 1980. Subsequently, in March 2022, the entire stake of the Aditya Birla Group was sold to Anupam Rasayan India Limited (ARIL).

On March 11, 2022, ARIL acquired a 24.96% stake in TIL from the Aditya Birla Group, which subsequently led to an open offer wherein an additional 0.83% stake was acquired. The company is now a joint venture (JV) between TIDCO and ARIL with the latter having management control. ARIL has a 24.26% stake in TIL as on June 30, 2026.

TIL mainly produces hydrofluoric acid (HF), sulphuric acid and specialty fluorides. It started as a single-product company manufacturing only ALF before producing HF from 1989. HF, in its concentrated form, anhydrous hydrofluoric acid (AHF), is used to manufacture refrigerant gases, teflon and linear alkyl benzene (LAB). HFA, which is diluted hydrofluoric acid (DHF), is used in alloy steel mills for pickling metal, in the glass industry and printed circuit boards, etc. ALF is used as a flux in reducing the melting point of alumina in the electrolytic process of manufacturing aluminium. Sulphuric acid (H_2SO_4) is used to manufacture HF, and sells it in the open market. In addition, it manufactures specialty fluorides that are sold to diverse customers such as alloy manufacturers, pharmaceutical and agrochemical companies. At present, the company has a capacity of 29,700 MTPA of AHF/DHF, 1,00,00 MTPA of sulphuric acid and the company also manufactures specialty fluorides , diluted HF, solar grade HF and is venturing into production of refrigerant gases with a capacity of 20,000 MTPA.

Key financial indicators (audited)

TIL	FY2025	FY2026	Q1FY2027*
Operating income	557.0	711.1	187.2
PAT	88.1	70.1	16.8
OPBDIT/OI	23.7%	16.6%	15.3%
PAT/OI	15.8%	9.9%	9.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	-
Total debt/OPBDIT (times)	0.31	0.79	-
Interest coverage (times)	27.6	20.8	29.5

*Source: Company, ICRA Research; *Result; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Jul 31, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	50.00	[ICRA]A+ (Stable)	Apr 07, 2025	[ICRA]A+ (Stable)	-	-	Jan 19, 2024	[ICRA]A (Stable)
				Apr 14, 2025	[ICRA]A+ (Stable)	-	-	-	-
Non-fund based - Others	Short term	105.00	[ICRA]A1+	Apr 07, 2025	[ICRA]A1+	-	-	Jan 19, 2024	[ICRA]A1
				Apr 14, 2025	[ICRA]A1+	-	-	-	-
Unallocated limits	Short term	40.00	[ICRA]A1+	Apr 14, 2025	[ICRA]A1+	-	-	-	-
Fund based/Non-fund based - Standby line of credit	Short term	-	-	Apr 07, 2025	[ICRA]A1+	-	-	Jan 19, 2024	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based limits	Simple
Short-term non-fund based limits	Simple
Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here]

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
NA	**Long-term fund based limits**	NA	NA	NA	50.0	[ICRA]A+(Stable)	RBI
NA	**Short-term non-fund based facilities**	NA	NA	NA	105.0	[ICRA]A1+	RBI
NA	**Short term – Unallocated limits**	NA	NA	NA	40.0	[ICRA]A1+	RBI

Source: Company; #SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments, which fall under the regulatory purview of financial sector regulators other than SEBI.

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545322
Prashant.vasisht@icraindia.com

Kushal Kumar B
+91 40 6939 6408
kushal.kumar@icraindia.com

Arvind Srinivasan
+91 44 4596 4323
arvind.srinivasan@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches