

April 07, 2025

Tanfac Industries Limited: Ratings upgraded to [ICRA]A+(Stable)/[ICRA]A1+

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|--------------------------------------|-------------------------------------|---|
| Fund-based limits – Working capital facilities | 20.0 | 20.0 | [ICRA]A+(Stable); upgraded from [ICRA]A(Stable) |
| Non-fund based facilities – Working capital facilities | 68.0 | 68.0 | [ICRA]A1+; upgraded from [ICRA]A1 |
| Short-term fund-based/Non-fund based – Standby line of credit | 2.0 | 2.0 | [ICRA]A1+; upgraded from [ICRA]A1 |
| Total | 90.0 | 90.0 | |

*Instrument details are provided in Annexure I

Rationale

The ratings upgrade factors in the improvement of Tanfac Industries Limited's (TIL) credit profile, driven by increase in revenues and profitability owing to favourable demand prospects of Hydrofluoric acid (HF). The company commenced its enhanced capacity of HF in October 2024, increasing the overall share of value-accretive products having better margins. The revenues and operating profitability improved in 9M FY2025, aided by healthy realisations and recently enhanced volumes of HF. Further, the capital structure remains strong, owing to its debt-free status and the debt coverage indicators remain healthy.

The ratings also factor in 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, with focus on expanding capacities for high-margin segments, healthy demand for products, the revenue growth and profitability are expected to remain healthy. The ratings also factor in TIL's established record of over three decades in manufacturing fluorochemicals.

The ratings are, however, constrained by the vulnerability of revenues and profitability to market disruptions, end-user cyclicity and resultant price volatility. The forex rate volatility and adverse changes in custom duties and environmental policies, also remain credit concerns. ICRA 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, presence in the specialty fluorides segment, which enables captive usage of a certain quantity of HF produced, mitigates the risk to a certain extent.

The Stable outlook on TIL's rating reflects ICRA's expectations that TIL is likely to sustain its operating metrics. Further, the outlook underlines expectations the entity's incremental capex, to further 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 improved profitability, steady annual cash accruals from business operations and limited dependence on debt. The revenues improved significantly in 9M FY2025 over the previous fiscals, owing to increased realisations and higher volumes of HF due to the recently enhanced

HF capacity. Going forward, the higher volumes are expected to further boost revenues and maintain healthy margins for the company. The capital structure is strong owing to its debt-free status and the debt coverage indicators remain healthy. The operating profitability remained healthy at 24% in 9M FY2025 with significant increase in HF sales realisation and volumes over the previous fiscals. Going forward, the revenue and profitability are expected to remain strong with the improved HF capacity and its utilisation, along with the healthy demand for products.

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 by manufacturing HF, aluminium fluoride, sulphuric acid and speciality fluorides.

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 ~26% 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 cyclicity and resultant price volatility – TIL faces competition from domestic manufacturers as well as from imports, especially from China, which limits its pricing power. Being commodity chemicals, the prices of HF, AlF_3 and H_2SO_4 are exposed to the demand-supply scenario and face considerable price volatility. In addition, the demand and prices of the products are also susceptible to the cyclicity inherent to the end-user industries. Hence, the company's profitability is exposed to volatility in the spread between global 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.

Increasing environmental scrutiny on transport of HF – TIL is exposed to increasing 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: Further, operating responsibly is an imperative and 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

The liquidity is expected to remain strong, on the back of healthy cash flow from operations, unencumbered cash and bank balance of ~33 crore as on September 30, 2024, no term debt repayment obligations and availability of unutilised working capital limits.

Rating sensitivities

Positive factors - ICRA could upgrade the long-term rating, if TIL exhibits sustained improvement in 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 sustained decline in the top line and profitability, or if there is any stretch in working capital cycle, or any large debt-funded capex impacting 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. Specific credit metric that could lead to a downgrade include TD/OPBDITA of more than 1.5 times, on a sustained basis. Any weakening of linkages between Tanfac and its parent (ARIL) or moderation in the credit profile of the parent could also exert a negative rating pressure.

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.

TIL mainly produces hydrofluoric acid (HF) and aluminium fluoride (ALF). 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. TIL also produces sulphuric acid (H₂SO₄), which 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 an ALF capacity of 16,500 metric tonnes per annum (MTPA), 29,700 MTPA of AHF/DHF, 82,500 MTPA of sulphuric acid and the company also manufactures specialty fluorides.

Key financial indicators (audited)

| TIL | FY2023 | FY2024 | 9MFY2025* |
|--|--------|--------|-----------|
| Operating income | 374.9 | 378.1 | 385.0 |
| PAT | 56.1 | 52.5 | 65.4 |
| OPBDIT/OI | 20.3% | 19.1% | 24.2% |
| PAT/OI | 15.0% | 13.9% | 17.0% |
| Total outside liabilities/Tangible net worth (times) | 0.4 | 0.3 | - |
| Total debt/OPBDIT (times) | - | - | - |
| Interest coverage (times) | 33.7 | 38.5 | 82.6 |

Source: Company, ICRA Research; *Provisional numbers; 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

| Instrument | Type | Current rating (FY2026) | | Chronology of rating history for the past 3 years | | | | |
|---|----------------------|-----------------------------|----------------------------|---|----------------------------|-------------------------|-------------------------------|--|
| | | Amount rated (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | | |
| | | | 07-Apr-25 | - | 19-Jan-24 | 30-Mar-23 | 06-Dec-22 | |
| 1 Fund-based limits | Long-term | 20 | [ICRA]A+ (Stable) | - | [ICRA]A (Stable) | [ICRA]A- (Positive) | [ICRA]A- (Positive) | |
| 2 Non fund-based facilities | Short-term | 68 | [ICRA]A1+ | - | [ICRA]A1 | [ICRA]A2+ | [ICRA]A2+ | |
| 3 Fund-based /Non-fund based – Standby line of credit | Short-term | 2 | [ICRA]A1+ | - | [ICRA]A1 | [ICRA]A2+ | - | |
| 3 Fund based/Non-fund based – Unallocated limits | Long-term/Short-term | 0 | | - | | - | [ICRA]A- (Positive)/[ICRA]A2+ | |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|----------------------|
| Long-term fund-based limits | Simple |
| Short-term non-fund based limits | Very Simple |
| Short-term fund-based/non-fund based limits | Very Simple |

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 |
|------|---|------------------|-------------|----------|--------------------------|----------------------------|
| NA | Long-term fund-based limits | NA | NA | NA | 20.0 | [ICRA]A+(Stable) |
| NA | Short-term non-fund based facilities | NA | NA | NA | 68.0 | [ICRA]A1+ |
| NA | Short term – Fund-based/non-fund based – Standby line of credit | NA | NA | NA | 2.0 | [ICRA]A1+ |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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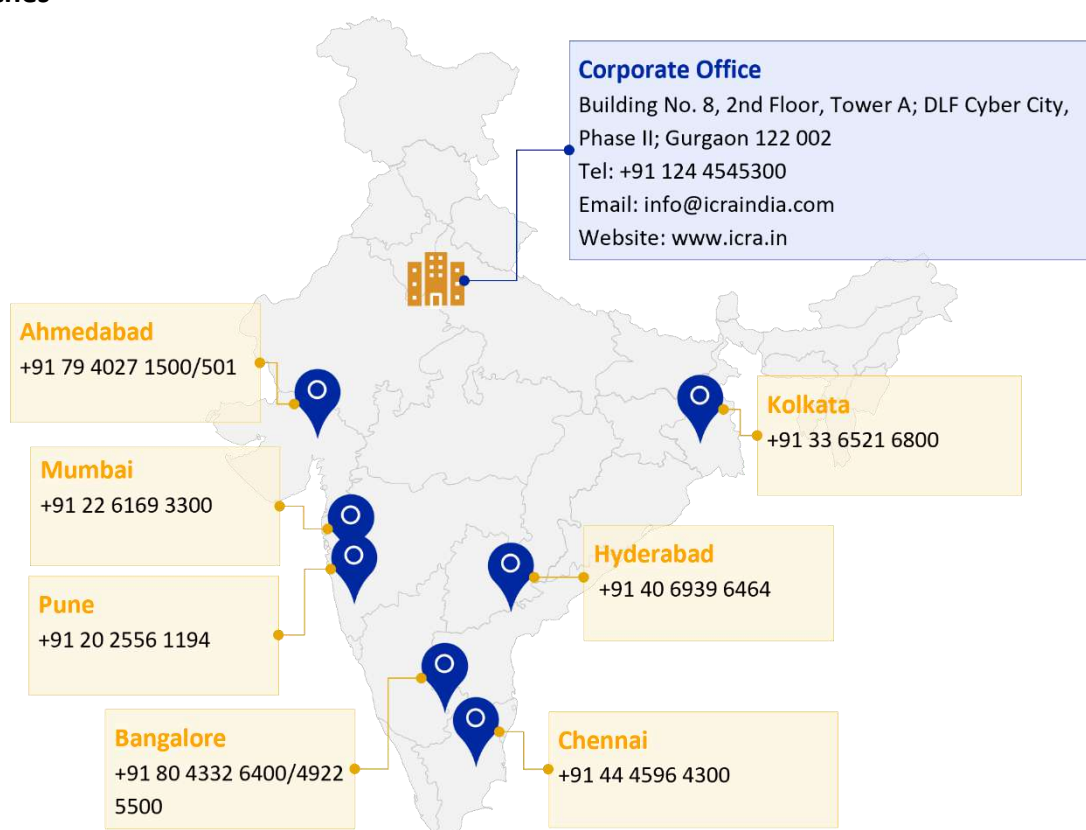
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